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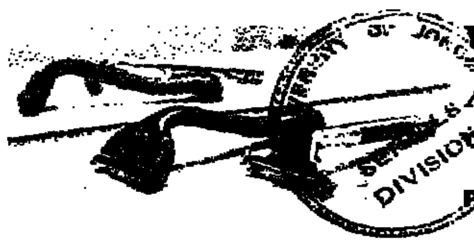

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FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY OCTOBER 22 1992 | D8523A

Gatt trade talks break down over oilseeds dispute

Hopes of a breakthrough on the Uruguay Round of talks on world trade liberalisation collapsed last night. US negotiators said that differences remained over a settlement of the oilseeds dispute. Even more ominously, the EC appeared to have backtracked on issues already thought to have been settled – such as limits on the volume of subsidised EC farm exports. Page 3

US insurers face $10bn storm bill: US insurers expect to pay out $10.2bn in claims to victims of Hurricane Andrew, substantially more than the $7.8bn originally estimated. Page 17; Storm damage hits Texaco earnings, Page 20

Yeltsin awaits showdown: Tension between reformists and hardliners led to upheavals in the Russian parliament as evidence grew of an approaching showdown. Page 16

Thomson-CSF, French state-controlled defence electronics supplier, announced a 24.6 per cent drop in six-monthly net profits and warned of an expected earnings fall for the full year. Page 17

Patten gives China deadline:

Chris Patten, Hong Kong's governor, has given China until the end of the year to accept his proposals for the colony's political development or to come up with alternatives acceptable to the people of Hong Kong. After talks in Beijing, Mr Patten said there was little meeting of minds on this subject or on that of financing Hong Kong's proposed new airport. Page 16

Sarajevo airlift suspended: The UN halted its airlift to Sarajevo as fighting broke out between Moslems and Croats near the besieged Bosnian capital. Officials said it was uncertain when flights would resume. Page 3

BA deal angers US airlines: The three biggest US airlines threatened legal action if the Bush administration approved British Airways' $750m acquisition of a stake in USAir without securing greater access in Britain for US carriers. Page 3; American Airlines reveals loss, Page 20

Obuchi named LDP chairman: Keizo Obuchi, an aide to former premier Noboru Takeshita, was named successor to disgraced kingpin Shin Kanemaru as chairman of the dominant faction in Japan's ruling party. Page 6

Euro-MP linked with Mafia: Magistrates have directly linked an Italian Euro-MP, Salvatore Lima, with the Sicilian Mafia following a six-month investigation into his killing. Page 16

Crédit Lyonnais, one of France's largest banks, today enters the final stage of negotiations to buy a controlling stake in BfG Bank. Page 17

Cheaper calls demanded: Brussels has called for greater competition to cut the price of cross-border telephone calls. Page 18

Indian dam in balance: The World Bank is due to discuss the fate tomorrow of the Sardar Sarovar dam in India's Narmada valley, which has been fiercely criticised on environmental and social grounds. Page 6

Isosceles, indebted buyout vehicle for the UK's Gateway food chain, has lost a chance to sell its US subsidiary, Herman's Sporting Goods. Page 17

E German costs grow: Bonn faces new budgetary demands to support east Germany, including the cost of servicing a DM50bn ($35bn) debt on public housing, subsidising house sales, and promoting new investment. Page 2

London bombs: Six people were injured in two London bomb attacks, one near a railway line, the other at an army centre. The Irish Republican Army claimed responsibility for one blast.

Alcoa, world's largest aluminium company, signed a joint venture with Hungalu, Hungary's state-owned aluminium monopoly, in the first stage of a $165m investment. Page 18

Tourist killed in Egypt: A British tourist was killed and two wounded when gunmen fired on a tour bus near the southern town of Assiut, a hotbed of Islamic extremism. Page 6

JFK investigator dies: Jim Garrison, former New Orleans district attorney who believed President John F. Kennedy was the victim of a CIA plot, has died, aged 71.

■ STOCK MARKET INDICES

FT-SE 100:	2,645.7	(+28.7)
Yield	4.56	
FT-SE Eurotrack 100	1,015.54	(−6.16)
FT-A All-Share	1,246.69	(+1.3%)
FT-A World Index	137.5	(+0.5%)
Nikkei	17,141.52	(+153.86)
New York:		
Dow Jones Ind Ave	3,187.10	(+1.08)
S&P Composite	415.67	(+0.19)

■ US RATES

Federal Funds:	2 13/16%	(2 13/16%)
3-mo Treas Bills: Yld	2.962%	(3.085%)
Long Bond	95 3/4	(95 3/32)
Yield	7.686%	(7.647%)

■ LONDON MONEY

3-mo Interbank	7 7/8%	(7 15/16%)
Liffe long gilt future:	Dec 99 5/16	(Dec 98 27/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$20.35	(20.75)

■ Gold

New York Comex (Oct)	$344.1	(343.8)
London	$343.95	(343.55)

■ STERLING

New York		
$	1.6960	(1.62325)
London:		
$	1.6145	(1.6255)
DM	2.4325	(2.47)
FFr	8.2575	(8.38)
SFr	2.175	(2.2125)
Y	196.5	(198.25)
£ Index	79.7	(80.2)

■ DOLLAR

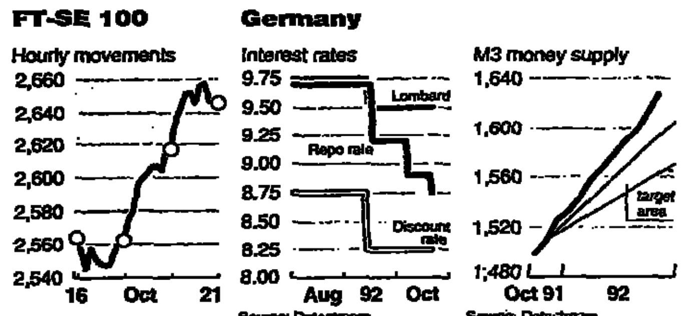
New York		
DM	1.52245	(1.5184)
FFr	5.16725	(5.149)
SFr	1.3595	(1.3575)
Y	122.65	(122.45)
London:		
DM	1.507	(1.5195)
FFr	5.115	(5.155)
SFr	1.3475	(1.3605)
Y	121.75	(121.95)
$ Index	62.7	(62.9)

Tokyo close Y 122.38

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk6.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Mood of pessimism as markets see Bundesbank unlikely to move soon on key rates

German rate move dashes hopes for any wider cuts



Source: Datastream

By Our Economics and Foreign Staff

THE GERMAN Bundesbank yesterday engineered a cut in a key money-market interest rate, triggering a slight easing in credit policy in some neighbouring nations but dashing hopes that Europe as a whole may be able to move soon to substantially lower interest rates.

Although investors in the main European stock markets took heart initially from the Bundesbank's action, shares later fell back on the realisation that the central bank is unlikely to move quickly to reduce its internationally important Lombard and discount rates.

■ German groups announce cuts as business climate worsens Page 2
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■ London stock exchange report Page 31
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■ World stock markets Back Page, Section II

This mood of pessimism was reinforced after Mr Reimut Jochimsen, a Bundesbank council member, said expectations of lower German interest rates were "exaggerated" and that the central bank would continue to pursue its traditional goal of achieving monetary stability. In yesterday's operation, the Bundesbank moved its securities repurchase rate from 8.9 per cent to 8.75 per cent.

That was quickly followed by reductions in official interest rates in Belgium, the Netherlands and Austria, countries which are closely tied to German monetary policy.

However, the cut in the German rate was smaller than some market participants expected, and failed to dent investor demand for the D-Mark, which gained on sterling, the Italian lira and the French franc. The D-Mark also edged up against the dollar, which closed in London just over 1 pfennig lower at DM1.5070. In New York the dollar recovered to close at DM1.52245.

On stock markets, investors in Paris pushed up prices by about 1 per cent on news of the Bundesbank's move, but shares later fell back for a slight overall loss. Prices in both Frankfurt and Amsterdam closed lower on investor worries about the deteriorating European economy.

Indications that the Bundesbank is unlikely to cut its main interest rates within the next month or so were underlined by the announcement that Germany's broad money supply accelerated again last month, a sign that inflationary pressures sparked by unification are not yet under control.

Even so, the 9.1 per cent annualised rate of expansion in the M3 measure was well below the range of 10 per cent to 12 per cent forecast by many economists. It comforted those hoping that a broad easing in German credit policy might soon help to loosen borrowing conditions across Europe.

The Bundesbank noted that growth in M3 – which includes cash, current accounts and short-term deposits – in the first half of the month had been relatively weak, picking up speed in the latter half when it was strongly influenced by the Bundesbank's heavy intervention during the European exchange rate mechanism crisis.

Meanwhile, Mr Jürgen Möllemann, Germany's economics minister, sounded a warning that Germany, like many other European nations, faced the prospect of an acute economic slowdown, a development that is likely to increase pressures on the Bundesbank to cut borrowing rates. He said western Germany's economy was stagnating and there was little prospect of export sales providing any stimulus.

Major switches emphasis to economic growth

By Philip Stephens, Emma Tucker and Peter Norman in London

THE BRITISH government yesterday underlined its determination to emphasise economic recovery rather than the fight against inflation in next month's Autumn budget statement, paving the way for a further cut in UK interest rates.

Mr Michael Portillo, the chief secretary to the Treasury, said the "tight" spending package now being thrashed out by cabinet ministers would underpin market confidence in the government's approach while preserving priority programmes.

But Mr John Major's decision to switch the emphasis of his strategy towards ending the recession brought a mixed reaction on financial markets. The pound fell sharply while share prices were boosted by the prospect of lower borrowing costs.

The Confederation of British Industry welcomed the priority being given to recovery but demanded a more "coherent" economic policy. It called for lower interest rates and "stringent" controls on public spending.

News of another small rise in the volume of retail sales last month left the financial markets uncertain about the short-term direction of the economy.

Mr Norman Lamont, the chancellor of the exchequer, said sales in Britain's shops were now "on a clear, upward trend". But many economists continued to predict that weak consumer confidence would hinder recovery.

The government's policy shift – announced by the prime minister on Tuesday night and underlined yesterday by senior officials in his Downing Street office – prompted confusion in Whitehall.

Mr Lamont bluntly denied that there had been any U-turn. Treasury officials sought to dismiss suggestions that the government was taking a more relaxed view of the inflation outlook in favour of a further relaxation of monetary policy.

But senior officials repeatedly emphasised the strong disinflationary pressures already apparent in the economy, pointing to the weak employment market, unprecedented falls in house prices and depressed consumer confidence.

Mr Major's aides suggested that that background would do much to offset the inflationary pressures from the sharp devaluation of the pound since its departure from the European exchange rate mechanism.

They also re-emphasised Mr Major's determination that the cuts in Whitehall programmes needed to hold overall expenditure to £244.5bn ($398bn) next year should fall much more heavily on current than on capital spending. The scrapping of obstacles to private sector involvement in infrastructure schemes would also provide work for the construction industry.

Senior ministers said that, with the prospect of a further cut in German interest rates, there should be scope for a further reduction in British interest rates in the second half of next month.

Prospects of a lowering of base rates sent the pound sharply lower on the foreign exchanges. Dealers said the prime minister's decision to adopt "a strategy for growth" had undermined investors' confidence in sterling.

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Ashley Ashwood

More than 40,000 miners and other trade unionists take to London's streets to condemn the government's plans to close coalmines which it says are no longer profitable. Following widespread protests, including a revolt by some Conservative members of parliament, trade and industry minister Michael Heseltine has agreed to a full review of the closure programme

Investment consortium puts Wilkinson Sword up for sale

By Guy de Jonquières, Consumer Industries Editor

WILKINSON SWORD has been put up for sale by Eemland Holdings, the consortium of international investors which three years ago bought the shaving products and toiletries manufacturer from Stora Kopparberg of Sweden.

Mr Mike Dowdall, Eemland chairman, said the decision had been taken because the Swedish financial institutions which own half the company were unwilling to fund further investment in Wilkinson's business.

Gillette, Wilkinson's biggest competitor in shaving equipment, owns 22 per cent of Eemland, a Dutch registered company.

Mr Dowdall denied that the planned sale of Wilkinson was influenced by pressure from competition authorities in several countries on Gillette to dispose of its stake in Eemland. Last year, Gillette was ordered by the British government to sell its stake in Eemland after a Monopolies and Mergers Commission investigation concluded that the investment was anti-competitive.

Since then, German competition authorities have issued a similar order. Gillette was also compelled by the US Justice Department in 1989 to reverse its purchase of Wilkinson's US operations.

Gillette said yesterday that it expected the planned sale of Wilkinson to resolve its outstanding problems with competition authorities.

Wilkinson earned operating profits of DM46.8m ($30.7m) on sales of DM316.3m last year, of which about 85 per cent were in shaving products. It is the second largest producer of blades in western Europe, after Gillette.

The company, which is more than 200 years old, has a manufacturing plant in Britain and another in Germany, where it sells about half its shaving products. It also has sales and distribution operations in the US.

Eemland, whose only asset is Wilkinson, said it had appointed Enskilda and Goldman Sachs International to advise on the planned disposal. It expected formal approaches to potential purchasers to be made shortly.

Although discussions are understood to have been held with several possible acquirers recently, they have reached no conclusion. Companies which could be interested in Wilkinson include Bic of France and Colgate-Palmolive and Warner-Lambert of the US.

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Rate cut hopes recede

Growth in German M3 accelerates

By Christopher Parkes in Frankfurt

GROWTH in Germany's broad money supply accelerated again last month, but the 9.1 per cent annualised rate of expansion in the M3 measure was well below the range of 10 to 12 per cent forecast by economists.

Provisional figures, published yesterday by the Bundesbank, also included some encouraging signs that demand for domestic credit is falling appreciably.

The bank noted that growth in M3 - which includes cash, current accounts and short-term deposits - in the first half of the month had been relatively weak, picking up speed in the latter half, when it was strongly influenced by the Bundesbank's heavy intervention during the European exchange rate mechanism crisis.

Despite these indications, the independent central bank, which has recently reduced the importance it places on money supply as a factor in policy-making, moved yesterday to damp hopes of an early reduction in interest rates.

A variable rate securities repurchase tender, through which the bank supplies funds to the domestic money market, resulted in a minimum rate of 8.75 per cent, compared with the previous fixed rate of 8.90 per cent.

Even though this continued the downward trend in short-term money market rates, which is still expected to lead eventually to cuts in the Lombard and discount rates, the market was disappointed by the scale of the reduction.

Observers were also confused by the money supply figures. According to Mr Thomas Mayer, an economist at Goldman Sachs in Frankfurt, the fall in the expansion rate of domestic credit to 9.5 per cent compared with 11-12 per cent over the past six months was "marginally encouraging".

But he warned that the full effects of the bank's money market interventions were not clear and could take some time to filter through.

He agreed with other German market watchers who claimed international optimism about early moves on Germany's main interest rates was over-blown.

The underlying growth in money supply is still well above the bank's range of 3.5 per cent to 5.5 per cent and inflation is still not under control. Optimism was further dampened by a reminder from Mr Reimut Jochimsen, a member of the bank's policy making central council, that German rates might even rise.

● German savers have deposited DM30bn ($19.7bn) in Luxembourg savings accounts in the first nine months of the year - all but DM4bn out of the total DM34bn saved in investment funds over that time, the BVI association of investment companies reported yesterday. David Waller writes from Frankfurt.

Bonn faces new costs of supporting east

By Quentin Peel in Bonn

THE German government is facing a string of new demands on its central budget to support the east German economy, including the cost of servicing a DM50bn ($32.8bn) debt on public housing, subsidising house sales, and promoting new investment.

Details were spelt out to the cabinet yesterday by a series of specialist working groups, charged with proposing ways of speeding up recovery in the former communist part of the country.

The government remains adamant, however, that there will be no tax increases, and no compulsory investment loans, at least in 1993, in order to finance the soaring unification costs.

What is no longer excluded within the ruling coalition is the possibility of increased taxation, or some form of investment loan, in 1994 or 1995, when the full burden of east German indebtedness will fall on the public exchequer.

Immediate measures to bridge the gap must be found from cuts in other areas of public spending, and in streamlining the bureaucracy relating to new investment in the east, Mr Friedrich Bohl, minister of state in the chancellor's office, said yesterday.

He said the cabinet had agreed in principle to an increase in the investment subsidy for small and medium-sized enterprises in the east. The recommendation is for an increase in the subsidy from eight to 25 per cent for all enterprises employing fewer than 20 workers, at a cost to the exchequer of DM30bn from 1993 to 1996. A final decision would come on November 4.

The reports presented to the cabinet show that the central government is prepared to take over responsibility for the east German housing debt, and assume responsibility for the entire public housing stock, if it fails to reach any agreement with the federal states on sharing the burden.

The housing working group has called for an extension of subsidies to help sell housing, costing an extra DM200m in 1993 and 1994. A sum of DM26bn which has been set aside for modernisation of public housing in 1993 has already been exhausted, and requires a further DM5bn in subsidised credit facilities, it says.

A further DM200m a year is called for to promote owner-occupation, and special subsidies and depreciation allowances for new house-building should be extended by two years.

The financial consequences of housing measures are estimated at between DM2.7bn and DM5.2bn, for which, according to the working group, no comparable savings measures can be found.

In addition, extra cash is urgently required for culture, sports, facilities for young people, and for the care and repair of historical monuments, according to a separate report.

Berliners turn out to photograph Britain's Queen Elizabeth as she walks through the Brandenburg Gate

Amato denies retreat on taxes

PROFESSOR Giuliano Amato, the Italian prime minister, had to call a press conference yesterday to deny reports that the government was watering down taxation measures in the 1993 budget.

Reports appeared on the front pages of all Italian daily newspapers yesterday that the government had given way to pressure from the Christian Democrat party to reduce the scope of proposals to bring self-employed, artisans, small businessmen and traders within the tax net.

The proposals have provoked protest in recent days from these groups who in the past have been the leading tax evaders.

Nuclear plant restarts

Lithuania's Chernobyl-type nuclear power station resumed partial output yesterday almost a week after a leak in a narrow pipe forced it to close, the head of the Baltic state's nuclear inspectorate said, Reuter reports from Vilnius.

Povilas Vaisnys said that one of the closed reactor's two turbines had been restarted and the other was expected to follow shortly after tests on the emergency cooling system. Officials said no radiation escaped into the environment.

Romania lifts petrol price

Romania doubled the price of petrol yesterday to bring it in line with a heavy decline in the value of the local currency, the leu, Reuter reports from Bucharest.

The decision was announced as caretaker Prime Minister Theodor Stolojan was preparing to make way for a new coalition government - likely to be announced next week - based on the results of the September 27 general election.

Premium fuel rose to 220 lei from 120 lei a litre ($2.32 from $1.27 per imperial gallon). A 40-litre per driver monthly allowance of subsidised gasoline was raised to 100 lei from 50 lei a litre.

Four German groups announce cuts as business climate worsens

By Christopher Parkes

THE wave of cost-cutting measures sweeping through German industry yesterday hit white-collar and production workers in four leading companies.

AEG, the appliance and electrical engineering arm of Daimler-Benz, said it would cut its 940-strong headquarters workforce in Frankfurt to less than 200. Only 120 jobs would be lost in the attempt to improve efficiency and devolve decision-making; the other staff would be found work elsewhere in the group.

ANT Nachrichtentechnik, an electronics company in the Robert Bosch group, announced 800 job losses.

Diesel engine and plant maker Klöckner-Humboldt-Deutz, which has already announced 1,000 job losses, is to put 2,000 workers on short-time, and Continental, the tyre manufacturer, announced plans to reduce output by extending the Christmas holiday.

The rapid deterioration in German business conditions was further underlined by news from MAN Gutehoffnungshütte, an engineering division of the MAN group, that losses had increased this year to DM23.5m ($15.5m) after a DM6m deficit in 1991.

There were also further warnings that the country could be on the verge of recession. Economists at the BHF Bank said the pattern of rising prices and falling demand was reminiscent of previous slumps.

However, they added, the prospects for avoiding recession were better than in the past. Favourable indicators included the relatively early easing of interest rates coupled with the lower import prices stemming from the D-Mark's appreciation.

The difficulties at MAN and KHD reflect a downturn in foreign and domestic engineering demand which will lead to industry-wide production falling by 5 per cent this year.

The slow-down at Continental has been prompted by a sharp fall in incoming orders from the motor industry, which has said it needs to shed 200,000 workers to remain competitive.

Machinery directive set to be dropped

By Andrew Baxter

A CONTROVERSIAL EC proposal which the UK believes would probably kill trade in used machinery looks likely to be quietly dropped after strong opposition by a majority of EC countries.

The Directive on Used Machinery - now in its third draft - is intended to apply much the same safety requirements to second-hand machinery as new equipment will face under the 1989 Machinery Directive. This is designed to secure free trade throughout the EC for machinery that meets the safety rules.

If passed, the used machinery directive would require second-hand equipment to be certified as continuing to comply with the safety rules each time it was resold. But this has been criticised as completely impracticable and unduly bureaucratic.

Mr Edward Leigh, UK trade and technology minister, told a London conference organised by the Institution of Mechanical Engineers that second-hand machinery was likely to pose hazards as great as, and perhaps greater than, new machinery.

Even so, the UK government believed that the proposed legislation on new machinery, on use of machinery at work and the existing general product safety directive provided adequate safeguards, and that there was no need for additional legislation.

"Furthermore the proposed directive would require checking and certification affecting a vast number of often small transactions, and would in practice probably kill the extensive trade in used machinery on which much of industry depends.

"We have therefore opposed it all along and the latest indications are that it will be dropped altogether."

At a meeting in Brussels in June, seven member states objected to the draft in principle, and only Spain and Italy supported it. The European Commission is considering its position and an announcement is expected soon.

Ukraine spending comes under fire

By Chrystia Freeland in Kiev

MR VADYM HETMAN, the outspoken chairman of Ukraine's central bank, yesterday renewed his crusade for a tighter monetary policy by lashing out at his government's spendthrift policies. He also called for a postponement of Ukraine's plans to introduce a separate currency.

A technocrat with a good reputation in western financial circles, Mr Hetman said Ukraine must kick its inflationary habit of bailing out inefficient state enterprises with government credit. Similar statements made over the summer earned Mr Hetman a public rebuke from President Leonid Kravchuk. According to government statistics, since January Ukraine has issued unbacked credit totalling Rbs211.8bn to save faltering Ukrainian enterprises.

Arguing that this soft credit policy meant Ukraine was exporting inflation to Russia, last month Russia froze all payments from Ukraine, provoking a furious response from Kiev. Mr Hetman yesterday took the unprecedented step of siding with Russia on the payments issue.

He noted that Ukraine had come under criticism from the International Monetary Fund for its piecemeal economic policy-making.

Meanwhile, Russia and Ukraine yesterday appeared to end a row over the cost of gas which has disrupted gas supplies to western Europe when Ukraine diverted supplies from storage tanks and domestic industry to the export market. A statement from Ukrainian prime minister, Mr Leonid Kuchma, quoting gas distributors Ukrgazprom, said deliveries of Russian gas to customers in the west had returned to normal.

Germany's largest gas supplier, Ruhrgas AG, had said earlier that Russian gas supplies were still 20 per cent below normal because of the row.

Victims of civil war or torture may be excluded

EC prepares tougher policy on asylum

By Lionel Barber in Brussels

EC MINISTERS have made progress on an agreement to toughen policy towards illegal immigrants and bogus asylum-seekers in response to the current refugee crisis in Europe.

The new policy would apply a narrow test of whether asylum-seekers are "in fear of persecution", as defined under the 1951 Geneva convention.

Victims of civil wars or those raped or tortured by repressive regimes would most likely be excluded, expanding EC efforts to close the asylum door into the Community.

The refugee crisis in Europe has deepened this year as a result of civil wars in former Yugoslavia, and economic dislocation in eastern Europe. Germany alone has taken more than 220,000 asylum seekers from Bosnia, more than any other country apart from neighbouring Croatia.

EC immigration ministers are due to consider a draft declaration at a meeting in London on November 30. The document would not have the force of law, but as a political statement of intent it could pave the way for a new international convention on the treatment of asylum-seekers and refugees. It is due to be highlighted in the BBC radio programme Opinion today.

Despite some reservations among EC member states with liberal refugee policies - notably Germany and Denmark - EC and UK officials said yesterday that a consensus has emerged on the need to harmonise how members treat asylum requests.

Using the 1951 Geneva convention as the foundation, the aim is to isolate "manifestly unfounded" applications for refugee status. This would help to unblock the huge backlog in, say, Germany which has led to racist attacks on asylum-seekers waiting to be processed, an EC official said.

Another aim is to discourage the international movement of refugees by making those travelling between continents generally ineligible for official refugee status in Europe. Although each application will be treated on merit, UK officials said the Community wants to crack down on "refugee tourists".

A third goal is to encourage groups suffering under repressive regimes to seek redress in their own courts for human rights violations - a stand which could technically restrict, for example, Kurds from Turkey.

Britain, which takes a tougher line than most of its EC partners, is leading the debate as EC president.

Spanish steel reform derailed

By Peter Bruce in Madrid and Andrew Hill in Brussels

A KEY element of Spain's efforts to cut subsidies to state-run industry was thrown off course yesterday after the European Commission failed to approve a $5bn plan to restructure the country's steel industry in a way that would maintain steelmaking in the politically volatile Basque Country.

In effect, the Commission has told Madrid to find further capacity cuts, or cut the amount of state aid involved in the plan. Under strict EC rules on state aid to the steel industry, the Spanish plan needs the unanimous backing of member states. Commission support would increase the chances of EC industry ministers approving the plan at their meeting on November 24.

The Spanish plan would cut steel casting capacity and jobs, and lead to the decommissioning of seven blast furnaces. But in order to satisfy political pressure from the Basques, the plan also calls for the building of the world's largest mini-mill at Bilbao, to produce some 900,000 tonnes of rolled flat steel a year there.

The Commission was deeply split yesterday on proposals from Sir Leon Brittan, the competition commissioner, which would have blocked the new steel plant.

The Commission said it considered the Spanish plan was "viable". But it said the balance of aid and restructuring "needed to be improved".

Sir Leon, Mr Martin Bangemann, the industry commissioner, and Mr Jacques Delors, the Commission president, will present the Commission's thoughts to industry ministers. Meanwhile they are likely to consider the Spanish plans in the light of the difficulties of the whole EC steel industry.

About 25,000 steelworkers plan to protest at the Spanish plan in Madrid on Monday. Yesterday's decision will make the restructuring even more painful. A general election must be held in Spain in the next 12 months and Basque and Asturian support is vital to Prime Minister Felipe González' hopes of re-election.

Sweden sees no economic growth until 1994

By David Marsh
European Editor

SWEDEN HAS postponed hopes of economic growth until 1994 as a result of the deterioration in the European economy and the costs of recent measures to support the krona, according to Ms Anne Wibble, the finance minister (pictured left).

Speaking in London yesterday after a presentation to bankers, Ms Wibble said the Swedish economy was likely to decline by slightly more than 1 per cent both this year and next.

Growth would resume in 1994, with an estimated 1 per cent expansion in output, she said. However, if Sweden had abandoned its fight to avoid devaluing the krona last month, the economic results would have been "even worse", she said.

"We are aware of the costs of going through a [currency] defence process. But we look at this in terms of building up confidence for the future." Ms Wibble was in London to spell out to foreign lenders the effects of fiscal and monetary action during the past six weeks to shore up the country's financial position. She also had talks yesterday with Mr Norman Lamont, the UK chancellor.

Despite action to reduce the budget deficit by annual amounts of up to SKr42bn (£4.4bn) during the next few years, Ms Wibble said the deficit would grow further in 1992-93 because of the effect of the recession on revenues and spending.

The 1992-93 deficit would be "substantially above SKr100bn", she said.

The government would also spend significant amounts to shore up the banking system during the next few years through loan guarantees and possible injections of equity capital.

Sweden has already taken specific action to aid Nordbanken, Första Banken and Gota Bank, but is now trying to take more general steps to support the troubled banking sector.

Although Ms Wibble admitted the negative effects of high Swedish interest rates on the domestic economy, she said interest rates would now fall as confidence returned.

She also shrugged off the effect on Swedish export competitiveness of the recent devaluations of the currencies of Britain and Finland - two of the country's leading trading partners. There were already signs of a recovery of Swedish exports, she said.

The Riksbank (central bank) cut its marginal lending rate to 13.5 per cent from 14.5 per cent yesterday, after earlier increasing it as high as 500 per cent during the speculative assault on the krona last month.

Sweden has embarked upon a large-scale foreign borrowing programme to bolster reserves depleted by last month's turbulence. This has resulted in the Riksbank's reserves rising to around SKr150bn, Ms Wibble said. Sweden is borrowing a total of SKr230bn under a plan announced on September 9.

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NEWS: EUROPE AND WORLD TRADE

Uruguay Round talks break down

By David Dodwell, World Trade Editor, in London, Frances Williams in Geneva and David Gardner in Brussels

HOPES of a breakthrough on the Uruguay Round of talks on world trade liberalisation collapsed last night, with senior US farm trade negotiators returning to Washington, saying the EC had backtracked on delicate compromises reached a week ago.

It is understood that negotiators will return directly to the White House, where a meeting has been called to discuss immediate imposition of sanctions amounting to $1bn against the EC's oilseed subsidy regime.

US negotiators said that differences remained over a settlement of the oilseeds dispute. Even more ominously, they said the EC appeared to have backtracked on issues already thought to have been settled - like limits on the volume of subsidised EC farm exports.

The EC-US dispute over subsidised farm trade has for almost two years blocked progress towards a Uruguay Round trade reform package, on which negotiations began in 1986. Officials have come close to settlement on several occasions, always to flounder on the issue of farm trade.

The latest push was widely seen as a last-ditch effort to achieve a breakthrough, for various reasons:

- Fast-track authority for the US administration to gain speedy ratification of the agreement is to expire early next year;
- Defeat of President George Bush in the US presidential election two weeks hence would destroy any incentive in the US for an early settlement;
- Simmering trade disputes - the most immediate of which is over oilseeds - are threatening to erupt if no early settlement is found.

A senior US official said yesterday: "It appeared last week that both sides had moved closer to an understanding that would enable us to achieve a breakthrough on agriculture. It now appears that, for internal political reasons, the [European] Community is backing away from that understanding. This will make it virtually impossible to conclude an agreement in the near future."

Another said he "did not think we can control the erosion" in trade relations between the US and the EC, if farm trade negotiations were to collapse.

On the apparently intractable oilseeds dispute, the US has made successive concessions towards the EC, which insists that its internal farm reforms can bring output down to 9.5m tonnes a year. It is understood that the US would be prepared "to look at a way of getting a production outcome, without looking at a specific production number".

But an official said yesterday that the US had to have "a mechanism that was clear and understandable", that would enable the administration to give assurances to local farm lobbies that a particular EC production ceiling could be set.

US airlines threaten to sue over BA deal

By Paul Betts, Aerospace Correspondent

THE three biggest US airlines yesterday threatened legal action if the Bush administration approved British Airways' $750m acquisition of a 44 per cent stake in USAir without securing greater access for US carriers into the UK market.

The warning reflected growing concern on the part of American Airlines, United Airlines and Delta Air Lines that Washington is seeking a hasty agreement with the UK over a new aviation pact to clear the way for the BA-USAir deal.

The US carriers say the BA deal breaches foreign ownership rules for US airlines by giving BA virtual control of USAir. BA has vigorously defended its proposed deal, insisting it complies with all US regulations.

Mr Stephen Wolf, chairman of United Airlines, was expected to voice his concerns to Mr Andrew Card, the US transportation secretary, who held talks with Mr John MacGregor, UK transport secretary, in London yesterday.

The US government is understood to be keen to reach an agreement with the UK during this round of talks.

The US appears to have moved closer to the UK position by agreeing to phase in open skies between the two countries.

The big US airlines argue that their government should first secure a balanced open skies agreement with the UK before allowing BA to invest in USAir.

"The issue is not that we oppose the BA deal: all we want are the same benefits which BA will be getting," a US airline official said.

The preferred solution for the big three US carriers is for immediate and total liberalisation of air services between the UK and US. But in the event of a phased liberalisation, the US carriers also want the BA-USAir transaction to be phased.

This would involve imposing limits on the deal which would be gradually lifted as liberalisation increases in the US-UK airline market.

The US airlines are also calling for the removal of restrictions on access to London Heathrow airport in last year's bilateral agreement; the same code sharing ticketing facilities which BA gained in the 1991 agreement; and rejection of a UK proposal to establish a dispute procedure in any new liberalised aviation regime which the US regards as another effort to re-regulate the market.

The US carriers have also been worried by a US government offer to allow BA rights to operate services from the US to third countries.

Despite the lobbying from the big three US carriers, the Bush administration appears intent on resolving the BA issue before the November 3 election. It feels the deal could help secure jobs and the future of USAir, the country's sixth largest carrier.

John MacGregor: talks with US on open skies deal

UK wants action on airport slots

By Daniel Green

BRITAIN called on its European Community partners yesterday to allow more airlines to compete for landing slots at crowded airports.

Mr John MacGregor, UK transport secretary, said Britain was using its EC presidency to press the case for a regulation, binding on member states, that should help new airlines to secure scarce landing slots at crowded airports.

The draft requires, for example, independent slot co-ordinators to be appointed at congested airports. At most airports in Europe, co-ordinators are employees of an individual airline, usually the country's flag carrier.

Co-ordinators control the slot allocation which depends on so-called "grandfather rights": an airline which operates a slot one year has right of first refusal on the same slot the following year.

Mr MacGregor said that EC-backed decisions were needed "if the full benefits of the liberalisation of air transport are to be realised."

Airports most affected by slot shortages are Heathrow, Frankfurt, Milan, Gatwick, Rome, Madrid, Copenhagen and Charles de Gaulle.

Community urged to pool its aviation weight

By David Gardner in Brussels

THE European Community should negotiate as a bloc the civil aviation accords each member state now agrees bilaterally with non-EC countries, the European Commission urged yesterday. In this way it could achieve the widest access for its own airlines.

The recommendation is made in Brussels' long-mooted plan for a common aviation policy. It argues that the 600 existing bilateral agreements would stand, but that the EC's strength as a unit should be used to redress lopsided arrangements between Europe and other countries, in particular, the US.

The current free-for-all risks "pitting one member state against another," said Mr Karel Van Miert, EC transport commissioner, putting at risk the Community's own air transport liberalisation programme and restructuring of the depressed airline industry.

In September, the Netherlands concluded an "open skies" agreement with the US, giving KLM, the Dutch carrier, virtually unrestricted access. France, Germany, Britain and Belgium are now attempting to reach similar arrangements, in what Brussels sees as an American "divide and rule" strategy.

Mr Van Miert said US airlines already had 19 "fifth freedom" rights inside the Community - allowing them to carry passengers from, for example, Munich to Brussels - whereas no EC carrier could pick up and deliver passengers inside the US. Similarly, American carriers operated 139 routes between the US and the EC; Community airlines only 97.

"We are not the protectionists," Mr Van Miert said, "there is a clear imbalance there." If Delta airlines could use Frankfurt as a European hub, EC airlines should be able to do the same inside the US from, say, Dallas or New York.

In the scramble for market access, said Mr Van Miert, big airlines like Lufthansa, which previously had felt able to look after themselves, were coming round to the idea of negotiating from a position of greater strength through the Community. The EC council of ministers has resisted ceding any competence to Brussels in external aviation negotiations. But officials here now believe it may reconsider.

Moslem and Croat clash halts UN airlift

By Laura Silber in Belgrade

THE United Nations yesterday suspended the international airlift to Sarajevo as fighting broke out between Moslems and Croats north-west of the besieged Bosnian capital.

UN officials said the clashes between troops who had been nominal allies in the Bosnian conflict threatened the safety of flight paths used by relief aircraft. They said it was uncertain when deliveries of food and medicine would resume. The suspension of flights came after the UN stopped road convoys from Split. The only land access route now is from Belgrade.

Any prolonged suspension of relief flights will exacerbate the deteriorating food situation in Sarajevo. The city's main flour mill was hit by four tank rounds, destroying a key food source for the 380,000 people trapped for seven months by a Serbian siege. An apparent dispute over the control of Vitez, 60 miles north-west of Sarajevo, led to the collapse of the fragile alliance between Moslems and Croats.

Croatian radio said five Croat soldiers and 17 civilians had been killed when the two forces, formerly united against Serb fighters, clashed in the mostly Moslem town in Croat-controlled territory. The UN sent an armed convoy to Vitez to rescue relief workers.

Meanwhile western embassies in Belgrade yesterday accused Serbian President Slobodan Milosevic of failing to condemn ethnic cleansing in Bosnia, and warned that UN sanctions would not be lifted until violence in Bosnia stops.

A statement by the EC, the US, and the Conference on Security and Co-operation in Europe (CSCE), accused Mr Milosevic of not using his influence to press Bosnian Serb forces into stopping ethnic cleansing or atrocities.

It criticised Mr Milosevic for failing to dissociate himself publicly from ethnic cleansing.

"The governments are appalled at the continuing evidence of human rights abuses and ethnic cleansing in Bosnia-Hercegovina," it added. The letter named Bosnian Serb forces, who control 70 per cent of Bosnian territory, as the "principal offenders".

It warned Mr Milosevic to heed the UN Security Council resolution on war crimes.

Reuter adds from Vienna: Yugoslav Prime Minister Milan Panic said yesterday he plans to hold a general election on December 13 to elect new federal and regional parliaments and presidents. However, it is unclear whether Mr Panic has the constitutional power to call elections.

Honecker to stand trial for wall deaths

MR Erich Honecker, the ailing former communist leader of East Germany, will stand trial next month accused of being responsible for the fatal shooting of East Germans trying to flee across the border to the west, writes Leslie Colitt in Berlin.

The decision was taken by the Berlin justice authorities although Mr Honecker, 80, is terminally ill with liver cancer. A court-appointed doctor said he had 18 months to live at most.

Mr Nicolas Becker, his lawyer, said the trial was being used by the west German authorities to try to incriminate the whole former communist system. Mr Willi Stoph, the former East German prime minister, will also to go on trial for the killings, along with Mr Erich Mielke, former head of the Stasi security police, Mr Heinz Kessler, the former defence minister, Mr Fritz Streletz, his deputy, and Mr Hans Albrecht, the communist leader of Suhl District, on the inner-German border.

Russian concern at jobless total

Hidden unemployment in Russia is running at 20m-30m people, according to Ms Natasha Podshibyakina, head of the trade union department of the Russian General Confederation of Trade Unions, writes John Lloyd in Moscow. Speaking at a conference organised in Moscow yesterday by the International Labour Organisation, Ms Podshibyakina, whose figures were challenged by government officials, said that they included all those who were on short-time working, enforced breaks or holidays.

Jet crash theory

The crash of an El Al cargo jet into an Amsterdam apartment block which killed 70 people was probably caused by metal fatigue through excessive stress and corrosion, the Dutch transport ministry said, Reuter reports from Amsterdam.

Test curb 'unwise'

US and British defence chiefs said yesterday they wanted a US law passed this month curbing nuclear weapons tests overturned, David White reports from Gleneagles, Scotland.

Mr Dick Cheney, US defence secretary, said the law was "unwise". Testing was needed to ensure weapons were reliable. Britain, which uses American test facilities, wants to test safety features in Trident warheads.

Clinton tiptoes around trade issue

The Democratic candidate says he will not rubber-stamp any Bush administration pacts if he gets to the White House. But, asks **Nancy Dunne**, what will he do?

HAPPY SNAPPER: Mrs Tipper Gore takes a photograph as her husband Senator Al Gore (left), Democratic vice-presidential candidate, and his running-mate Governor Bill Clinton bask in the cheers of a campaign rally in Chicago

TRADE, Gatt and oilseeds subsidies are nowhere near the top of the political agenda for Governor Bill Clinton, the Democratic presidential candidate in the US. But, if he emerges victorious on November 3, these issues may well leap rapidly to the forefront.

While Mr Clinton has repeatedly stressed his support for a Gatt agreement, he has been cautious about making commitments. A campaign spokesman would say little beyond issuing a warning that, if elected, the new president would not present to Congress just any agreement negotiated by the Republican administration of President George Bush.

Mr Clinton himself, in Monday's presidential debate, put it this way: "I'll have a free and fair trade policy, a hard-headed realistic policy, and not get caught up in rubber-stamping everything the Bush administration did."

One Clinton adviser suggested, at the time of the North American Free Trade Agreement (Nafta), that Mr Clinton's handling of the pact should be seen as a model of how he would approach others *agreed by Presidentby Bush*

Mr Clinton has supported Nafta in principle since he launched his campaign, despite the strong opposition of labour. Ignoring sniping from Mr Bush, who accused him of "waffling" on the Nafta, he refused to commit himself on the details until he had read the entire negotiated text.

Then, on October 4, Mr Clinton delivered a long and thoughtful speech – largely his own, according to aides – which concluded that free trade with Mexico was desirable only if accompanied by a national economic strategy.

"Too many Republicans would say that it's a simple issue, freer trade always equals economic growth," he said. "Some Democrats would say that freer trade today always equals exporting jobs and lowering wages. *Well, it sure can if* you don't have a comprehensive economic strategy to maintain a high-wage, high-growth economy."

He said that, besides having a "comprehensive strategy" (education, worker training, investment incentives), he would seek to negotiate three *supplemental agreements to* rectify Nafta's "shortcomings."

They would:

- Establish an Environmental Protection Commission, headed by Mr Al Gore, his party's candidate for the vice-presidency, "with substantial powers and resources" to prevent and clean up water pollution and to encourage the enforce*ment of each country's own* environmental laws.
- Establish a commission for worker standards and safety with "extensive powers" to educate, train and develop minimum standards, and with dispute settlement powers and remedies.
- Ensure that a country could take protectionist steps to deal with "overwhelming" import surges.

In this speech, Mr Clinton did more than resolve his own doubts about Nafta; he was heeding pleas from the Mexican government to refrain from calling for a renegotiation of the commercial deal. He was also seeking to satisfy the concerns of Congressman Richard Gephardt, majority leader in the House of Representatives, and his key supporters in *labour, and the environmental* movement.

On Gatt, Mr Clinton is said to be concerned about satisfying the original US goals of the Uruguay Round, as expressed in the 1988 Trade Act.

These called for reform of agriculture trade "to the maximum extent feasible," but the emphasis was on ending "trade-distorting subsidies" and reducing farm surpluses – a far cry from the total elimination of production and export subsidies first proposed by the Reagan and Bush administrations.

A Clinton administration could decide to go back to the drawing board on its position on farm trade reform. Among the farm groups supporting Mr Clinton is a number wanting to retain US protection for commodities such as sugar, peanuts and dairy products.

The "worker rights" issue, which has been ignored by the Bush administration, also figures prominently in the Gatt round objectives approved by the US Congress.

Under these, US negotiators were supposed to "secure a review of the relationship of *worker rights to Gatt articles* ... with a view to ensuring that the benefits of the trading system are available to all workers."

Mr Harry Freeman, executive director of the MTN Coalition, which business has organised to get a new treaty passed by Congress, believes Mr Clinton would seek to expand the scope of Gatt to "non-traditional areas" like workers rights, human rights and environmental concerns.

He said: "This may be to the chagrin of other Gatt members who think Gatt is to be purely a commercial thing." Mr Freeman also thinks Mr Clinton would seek "strong allies in other countries which could cause a schism within Gatt."

It is understood that Mr Clinton is sympathetic to some US industry complaints about the proposals for final settlement of the Uruguay Round drawn up by Mr Arthur Dunkel, Gatt director-general, in the areas of investment, intellectual property rights, services and dumping. However, it is impossible to gauge the extent to which Mr Clinton would be willing to risk an unravelling of the Uruguay Round in order to satisfy these concerns.

Like most politicians, Mr Clinton has vowed to get "fair trade" as well as "free trade", but he has also promised not to subordinate US trade interests to political and security relationships as many US presidents have done.

He is unlikely to want his first 100 days as president burdened by a need to push through unpopular trade agreements negotiated by his predecessor.

He could ask for an extension of the president's negotiating authority, due to expire on March 1 next, and a new Congress dominated by his Democratic Party might give it to him.

In the meantime, the trading partners of the US seem to be calculating the probability of a *Bush defeat, and assuming* that there is nothing to be gained by negotiating a deal with a president who is too anxious to get one while he can

Perot disdains to speculate on his intentions

By Jurek Martin, US Editor in Washington

EVERY morning the news agencies publish a useful item called the daybook, which lists scheduled events in the nation's capital and, throughout this year, the itineraries of the presidential candidates.

Yesterday the listings for President Bush in the south, Governor Clinton in the mountain states and their running mates and wives were exhaustive. Under the names Ross Perot and James B. Stockdale, the independent ticket, there appeared, as most days: "No public events scheduled".

There were hints from Dallas that before election day Mr Perot would appear at some *political rallies* in the week ahead. But these intimations are worth little, since the only person who takes decisions about this campaign is Mr Perot, and he does not deign to speculate to the media about his intentions.

His vehicle, as it has been throughout, is television. This has meant the three debates, in which he was, in order, distinctive, muted and caustically accusatory, especially against President Bush. At the very least he made his presence felt, which is more than can be said for poor Admiral Stockdale, out of his depth in the vice-presidential slugfest.

It also means paid-for half-hour advertised programmes, plus a fistful of standard short political commercials. The first, which he advertised in the debates as Jerry Brown once did his toll-free phone number, are old-fashioned and homespun, just Mr Perot with his charts and a pointer. The second, in which only a photograph of him appears, are slickly professional.

Mr Perot has already spent about $35m of his own money on his effort; he said on Monday that by the time it is over *he will have forked out $60m.* Not a penny of it, he repeatedly reminds his television audiences, has come from the taxpayer, unlike the Bush and Clinton campaigns.

His relations with the media are virtually non-existent. After Monday's debate, he launched a tirade against the press that made Vice-President Dan Quayle's *constant complaints seem* complimentary. He claimed reporters "hate the fact that I am in the race" and "have less respect in this country than Congress". He called Time Magazine "a joke".

One *consequence* of the nature of this new, closed and totally personal campaign has been the almost total absence of further revelations about how he made his money, ran his business and investigated people who crossed him, all of which were given full airing in the summer, much to his fury.

Sticking to the principle of delegating nothing, he even took Mr Orson Swindle, the very conservative director of his organisation, United We *Stand, America, to task for daring* to suggest that a vote for Mr Clinton would be "a disaster". This, Mr Perot said, was "a serious mistake" and in no way reflected his views.

Though more critical of Mr Bush, for whom he often displays a visceral contempt, there is no evidence that Mr Perot is warming to the Demo*cratic candidate. On Monday* he belittled Mr Clinton's record in Arkansas, which he likened to that of a corner store operator, and was dismissive of his economic policies.

Freed, by his own decree, of the necessity of normal political discourse outside the debates, Mr Perot is, in effect, running a one-issue messianic *campaign, on reduction of the* deficit and the national debt. This is both the source of his appeal, because it is a genuine public concern, and his weakness, because of the public sense that the presidency is more complicated than that.

His standing has risen as a result of the debates, roughly doubling to 14 per cent, but the *perception that he could win,* which seemed fleetingly real earlier, remains confined *to his* true believers. But he is getting some vindication: no one now is calling him "a quitter".

California given top quake warning

By Louise Kehoe in San Francisco

THE CALIFORNIA Office of Emergency Services has issued its first-ever "Grade A" earthquake warning, its highest grade of alert.

The office said late on Tuesday *there was a significant* likelihood that an earthquake rated six on the Richter scale would occur on the San Andreas Fault near Parkfield within 72 hours.

Parkfield is a hamlet in the *hills overlooking* the west side of the San Joaquin Valley in central California, about 170 miles south-east of San Francisco.

It has a population of fewer than 100 people but claims to be "the earthquake capital of the world".

Although its reputation was somewhat dented by the deadly Loma Prieta quake that shook northern California in 1989, the town has a long history of a big quake about once every 22 years.

The last was in 1966, so the next is overdue.

Parkfield is the site of the world's largest experiment in earthquake prediction. A 25-kilometre segment of the fault there bristles with $19m worth of monitoring equipment installed by the US Geological Survey and geologists from *several universities.*

In 1985, the USGS issued its first earthquake prediction, saying there was a 95 per cent chance that a quake rated six on the Richter scale would occur before 1993 near Parkfield.

Time is running out.

On Monday night, Parkfield was shaken by a quake of 4.7 *on the scale.* USGS seismologists believe this may be the precursor of a more powerful tremor.

The USGS says its instruments point to a 37 per cent chance of a significant earthquake in the area before tomorrow morning.

Such an event could provide scientists with invaluable clues on how to predict earthquakes reliably.

Argentina faces trade deficit of up to $1bn

By John Barham in Buenos Aires

ARGENTINE *economy* minister, Mr Domingo Cavallo, has admitted for the first time that the country faces a trade deficit of "up to $1bn" this year. He had consistently denied that Argentina would see such a deficit in 1992, forecasting instead a small surplus or equilibrium.

However, dining with businessmen on Tuesday, Mr Cavallo recognised that, while exports remained steady, imports were surging to a forecast $13bn in 1992 and leading to the country's first annual trade deficit since 1981.

"Of course this deficit worries us. We do not want to enter a period of trade and current account deficits," he said. The government is now working on a package of measures to improve Argentina's international competitiveness.

The minister explained that free market policies had set off a consumer boom and heavy capital inflows, driving imports up by 60 per cent. Last year, Argentine exports were worth $11.96bn and imports $8.09bn, giving a trade surplus of $3.87bn.

However, imports began to outstrip exports last November. The latest available trade figures show Argentina stayed in deficit until May, when it reported a $160m surplus.

The government says there is no reason to panic, public finances being sound, inflation low and productivity and investment increasing. But most Argentine companies have poor management, obsolete technology and no aggressive export strategy.

Industrialists say an overvalued currency and inexora*bly rising domestic costs* are making it impossible to export profitably. Manufacturing exports are declining and exports of unprocessed raw materials increasing, they say.

Business leaders are bitterly critical of Brazil, Argentina's largest market and a partner in the Mercosur common market. They accuse Brazilian companies of flooding Argentina with artificially cheap products. A Brazilian official countered: "Argentina has an overvalued currency and excessive demand. In Brazil, the problem is the opposite."

Canadians called to order

By Robert Gibbens in Montreal

ONE OF Canada's most influential businessmen entered the constitutional fray yesterday. He urged his countrymen to end the "paralysing and debilitating" debate on the constitution and vote "Yes" in next Monday's referendum on a package of reforms known as the Charlottetown Accord.

Mr Paul Desmarais, head of Power Corp of Canada, said the accord was a unique opportunity to give Canada a political and economic framework to face a fast-changing inter-dependent world.

In an editorial in La Presse, French Canada's most important daily newspaper and owned by Power Corp, Mr Desmarais urged Canadians to put aside petty politics and see the deal as "a consensus among 13 governments and four aboriginal groups, each answerable to its electorate and public opinion". To continue the 30-year search for constitutional perfection would just be utopian.

"The accord gives everyone significant *gains* and Canadians and Quebeckers will continue to benefit from participation in the federation. No province or group is compromised and it is an equitable agreement. Quebec's place in the federation is assured."

Mr Desmarais, Ontario-born and educated, built his financial services, communications and industrial empire from Montreal. He said Canada had to end the constitutional crisis now and work to restore a productive and world-competitive economy. Otherwise, it could not maintain its social and *political systems intact.*

Easing Mexicans away from inflationary inertia

Damian Fraser analyses a fine-tuning of the peso

THE cornerstone of Mexico's economic and political policy over the past five years has been a stable exchange rate: a strong peso has kept the dollar-*conscious middle classes* happy, put downward pressure on inflation, and persuaded otherwise nervous foreign investors to finance the burgeoning current account deficit.

Thus the government is extremely wary at portraying the decision on Tuesday to raise the maximum rate at which the peso can slide against the dollar from 20 to 40 centavos a day (2.3 per cent to 4.6 per cent a year) as a devalu*ation. It is merely, goes the* official government document, "an amplification of the band" in which the peso can fluctuate, and gives the government more flexibility in managing the currency.

In one way the government is right. While the current exchange rate ceiling (the maximum rate at which investors sell pesos for dollars) of 3,155 pesos to the dollar will now rise by 40 centavos a day, the floor (the minimum rate at which investors buy pesos) will stay fixed at 3,056.

Since the free rate is set by the market and varies between these parameters, it is possible – although now less likely – that the free exchange rate will be as strong or stronger next year than it is now.

However, the new flexibility given to the government in currency matters suggests a subtle change of emphasis away from the exchange rate in Mexico's economic policy.

"We think that international *markets are demanding more* flexibility in exchange rates," a government minister told reporters after the announce*ment. "International markets* have been more volatile and the rigidities of the old band could have provoked dangers."

The minister hinted at a softening of the commitment to a fixed dollar. "The exchange rate has been used to fix inflationary expectations," he said. "We are now in a different stage since the inflationary inertia has been broken; the exchange rate is not as valuable as it once was."

S*uch comments* may reflect the buffeting the peso has suffered in recent weeks, and even concerns that interest rates are too high. The free peso last week came close to its ceiling.

Investors, influenced by events in Europe, and by Mexico's troubling high current-account deficit and infla*tion rate, appeared worried* about the possibility of a devaluation and a subsequent collapse of the government's economic policy. Interest rates on 28-day Treasury bills reached a year-high 19.7 per cent last week, *partly reflecting such* concerns.

The government seems instead to be hoping fiscal policy and wage moderation will bring inflation down. Under the annual wage and price accord negotiated between the business and labour sector, the government announced the minimum wage would rise by just 7 per cent next year, and that contractual wage rises, *much more important in the* economy, would be kept to single digits. This was the first time the accord had restricted non-minimum wage increases.

Also, the government announced petrol prices would increase by 0.79 per cent a month (or 9.9 per cent a year), and electricity bills by 0.57 to 0.79 per cent a month.

This is intended to have two effects: first, by phasing in increases over months, the government hopes to avoid the *traditional* year-end bubble of government-controlled price rises that has done much to keep Mexico's inflation in double digits; second, to raise government revenues in real terms, and tighten fiscal policy.

The government is expected to announce in November plans for a budget surplus in 1993 *similar to the* 0.7 per cent of GDP aimed for this year.

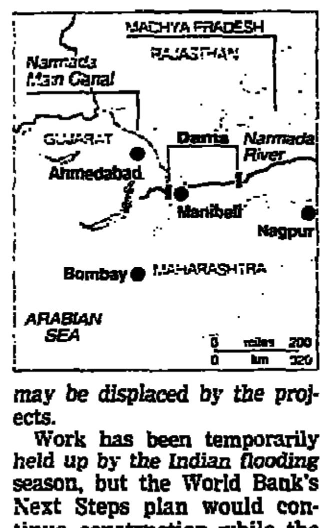
"If you put all these measures together, we hope to reach an inflation target of 7 per cent," says another government official. "The measures are sufficiently strong to allow us a little breathing space on the exchange rate."

The financial markets have reacted favourably on the view that a credible exchange rate policy has been laid out for the next 12 months, which should avert the danger of a large one-step devaluation. The peso was strengthened after the announcement, and the stock market rose 2 per cent yesterday morning after rallying 3 per cent on Tuesday.

World Bank to decide fate of Narmada dam

By George Graham in Washington

THE World Bank's executive board is due to meet tomorrow to decide on the fate of the controversial Sardar Sarovar dam projects in India's Narmada valley, amid unrelenting criticism of the projects' impact on the environment and on the inhabitants who will be forced off their land.



The World Bank had already responded to criticism of Sardar Sarovar by commissioning an independent report from Mr Bradford Morse, a former administrator of the United Nations Development Project, and Mr Thomas Berger, a former Canadian Supreme Court judge.

The Morse-Berger report was scathing in its assessment of the project, and in particular of the measures provided to resettle displaced farmers, and the World Bank then revised its position by drawing up a new plan called Next Steps.

But Mr Morse and Mr Berger have now castigated Next Steps for ignoring or misrepresenting their findings.

"The Bank may choose to reject our findings. India may choose to ignore our report. It is clear, however, that the Bank's Next Steps document has sought to present a version of our report that is at variance with the report itself," Mr Morse and Mr Berger told Mr Lewis Preston, the World Bank's president, in a letter last week.

This strong criticism has upset the Bank's efforts to build an executive board consensus behind the Next Steps approach to the $3bn Narmada dam and associated canal and drainage works – the aim of which is to provide irrigation and drinking water to some 30m people in western India.

Construction had been under way on the Sardar Sarovar projects since 1987, but the Morse-Berger review recommended halting work until proper environmental studies had been carried out and new resettlement plans prepared for the estimated 240,000 people who may be displaced by the projects.

Work has been temporarily held up by the Indian flooding season, but the World Bank's Next Steps plan would continue construction while the studies are carried out.

"The idea that environmental impact studies would be done as construction proceeds undermines the prospect for achieving environmental protection," Mr Morse and Mr Berger wrote.

While they found the resettlement proposals of the Gujarat state government inadequate, they are particularly critical of the revised plans of neighbouring Madhya Pradesh, which they say are designed to encourage those ousted by the projects to move to Gujarat.

"We believe the gap between Madhya Pradesh and Gujarat policies is continuing, and that, as our report explained, this erodes the right to choice by oustees in Madhya Pradesh," they say in their letter to Mr Preston.

Some Bank executive directors had hoped that the Morse-Berger report would provide an adequate umbrella against criticism of Sardar Sarovar and allow them to press ahead with the projects, which have been strongly pressed for by the Indian government.

However, in the face of continuing criticism from Mr Morse and Mr Berger, directors are under growing pressure from their home countries to vote against continuing to finance Sardar Sarovar.

Uzbekistan holds to the old school

Steve LeVine on the Soviet-period instincts that are slowing a reform of the economy

UZBEKISTAN'S president, Mr Islam Karimov, appears anxious to persuade frustrated foreign investors that he really is committed to free trade policies. However his success may be hampered by his efforts to sustain his government with a crackdown on his opponents.

Karimov: slow reform

Mr Karimov, an ex-Communist party boss whose Soviet-period instincts have, until now, made for a slow pace of economic reform in this central Asian republic, has been all but forced into a more liberal investment policy. Experts say there will be at least a 15 per cent drop this year in Uzbekistan's key foreign currency earner, its huge cotton harvest, so Mr Karimov has moved to try to widen the country's economic base.

A new investment decree that took effect in August removed customs duties on consumer products, suspended duties on all imports up until January 1994, and relaxed rules on reinvestment of profit made by foreigners.

No one knows whether Mr Karimov will later render his decree ineffective by issuing "refinements", as he has done in the past. For now, though, the small foreign community – attracted mostly by the 4.5m tonne annual cotton harvest, in addition to ample gold and newly-found oil deposits – is cautiously optimistic. "I think there will finally be consumer goods in Uzbekistan," beamed Mr Abbas Khan, local manager of Karachi-based Tabani Corp, who has lived in Tashkent for more than a decade.

Investor caution stems from Mr Karimov's past. The 51-year-old president is among the former Soviet Union's least repentant ex-party bosses. The accepted wisdom is that nothing of consequence happens in Uzbekistan without his consent. He has been only a little less than rigid when it comes to relaxing central control of the economy, and is absolutely intolerant of opposition. Unlike its more flexible Central Asian neighbours, Uzbekistan is probably not headed for any dramatic economic or political changes under Mr Karimov's leadership.

Last October, he freed collective farmers to sell part of their cotton harvest to the lucrative export market. Only six months later, he issued a second decree requiring the farmers first to get permission from a government office – effectively reversing his liberalisation.

Meanwhile, one by one almost all of Mr Karimov's critics have fled, been arrested, or simply disappeared over the last few months. Three months ago, the opposition leader, Mr Abdourahim Pulatov, was summoned to a government office, outside of which a group of young thugs beat him with steel bars. He is said to be recovering in a Turkish hospital. Mr Karimov has denied any role, saying that the men's target was not Mr Pulatov, but somebody accompanying the opposition leader.

To some degree Mr Karimov's policies are a reflection of his fear of undirected change. The instability and fighting in neighbouring Tajikistan and Afghanistan have particularly worried him, and he has ordered his troops to seal up Uzbekistan's borders to prevent an inflow of arms.

Foreign businessmen do not seem particularly dismayed by Mr Karimov's crackdown. But with cotton playing a central role in the country's economy, they are becoming concerned about the 1992 cotton crop, which, despite signs to the contrary, the government insists will meet forecasts.

As the world's third largest cotton producer, Uzbekistan depends on raw cotton and textiles for 65 per cent – or $1bn – of its exports. But foreign cotton experts say this year's unusually heavy rains in some cases have forced farmers to replant ruined crops four times, as new flooding destroyed each new planting.

They say the yield could fall even further than 15 per cent from the forecast of 2.6 tonnes of raw cotton per hectare. Uzbek officials refuse to accelerate their rigid, 30-day picking schedule, and the harvest thus could spill over into November, when the rainy season begins and picking must be halted.

Meanwhile, Mr Karimov is looking to other investors for hard currency. Oil and gold deposits are particularly promising.

Oil was struck in March in the Fergana valley city of Namangan, and some experts say there is more to be found. Mr Sadiq Safaev, deputy minister of foreign economic affairs, says that US, Saudi Arabian and South Korean companies have already submitted bids for separate joint ventures for extraction, refinement and transportation at the Namangan site.

And analysts believe there is immediate potential in the country's gold mines at Zarafshan. Uzbekistan is already the world's seventh largest gold producer, and Mr Karimov is increasing production.

In a $75m deal with Denver-based Newman Mining Corp, the Uzbek government will provide labour and energy, and the US company will contribute technology, to extract 10m tonnes of gold annually, according to Mr Safaev.

Regardless of Mr Karimov's eagerness to earn more foreign exchange, or whether his new decree will hold, no one believes he will veer dramatically from his plodding course.

"Uzbekistan has chosen the slower way to a market economy," said Mr Vladimir Ergashbayev, the vice-president of the Tashkent Stock Exchange. "We think that for a long time state structures will be the main part of the economy."

Summers calls for economic rethink

A senior World Bank official yesterday called for richer nations to adopt active economic policies and ease 1960s-style fear of inflation to revive growth, Reuter reports from Singapore.

"If we're going to do better in the next decade I don't think there's any alternative to greater government action," Mr Lawrence Summers, bank vice-president and chief economist, said in a speech to economists and officials in Singapore.

Mr Summers said industrial nations should ease adherence to the tight-money, non-interventionist dogma of the 1980s – including fear of inflation and a reluctance to fine-tune economies through targeted government spending and flexible policies.

"In combating the current recession, we are living with the legacy of these policies," he said. "There is no magic in zero inflation."

"The lesson is that governments must use all the tools available, both fiscal and monetary, to address the problem."

Mr Summers earlier said the outlook for the world's leading industrial countries remained grim. "It's hard to be optimistic about the recovery. The European situation looks much bleaker than three months ago...I don't think there is any prospect for an extremely rapid American recovery. We are still in the tunnel, and the light at the end of the tunnel is still relatively dim."

Asean to adopt rules for tariff cut scheme

Economics ministers of the Association of South-East Asian Nations (Asean) today open a two-day meeting in Manila to formally adopt rules governing a tariff reduction programme leading to the creation of an Asean free trade area (Afta) in 15 years, Jose Galang writes from Manila.

The tariff cuts, covering 15 product groups, are to start in January 1993 under a Common Effective Preferential Tariff (CEPT) scheme. By the year 2003 maximum tariffs on these products should be 20 per cent, and by 2008 they are targeted at 0 to 5 per cent.

Standard Chartered executive resigns

A senior executive of the Indian operations of Standard Chartered Bank, the British-owned bank that is embroiled in a financial scandal in India, has resigned, Stefan Wagstyl reports from New Delhi

Mr R Kannan is the tenth Standard Chartered official to leave since alleged instances of fraud surfaced in April in the inter-bank securities market in Bombay. Four other employees have been demoted or reprimanded.

The bank said yesterday Mr Kannan, formerly executive director in charge of investment banking, had resigned and had left on Tuesday "by mutual consent".

Thailand committed to free market

Thailand's new government is committed to liberal trade based on a free market system and will further loosen control on money and capital markets, Prime Minister Chuan Leekpai told parliament yesterday, Reuter reports from Bangkok.

"The government will carry out a policy of liberal economy by using market mechanism and doing away with monopoly and unfair competition", Mr Chuan said in his first policy statement.

His coalition would create "discipline and stability in the monetary and budgetary system of the country by controlling the inflation rate at a low level and being careful in the government and private-sector spending," he said.

Mr Chuan's Democrat Party won the most seats in the September 13 general election and now leads a five-party coalition controlling 207 seats in the 360-member House of Representatives.

Tea group raises own security force

The Indian Tea Association (ITA) will raise its own security force to protect estates in the north-east state of Assam, which is plagued by insurgencies, ITA chairman Hemendra Prasad Baruah said, Reuter reports from Guwahati, India.

He told reporters the organisation of Indian tea growers would recruit a force with an initial strength of 7,000 to 8,000 men drawn from retired soldiers.

China makes case for Gatt re-entry

By Frances Williams in Geneva

THE US and the European Community said yesterday they wanted more clarification of China's trade policy regime before pressing ahead with negotiations on the terms of Chinese membership of the General Agreement on Tariffs and Trade (Gatt).

Addressing the Gatt working party charged with drawing up China's protocol of accession to the world trade body, Tong Zhiguang, vice-minister for foreign trade in Beijing, said his government hoped for an early resumption of membership.

China's firm decision to move to a market economy, endorsed by the 14th Communist Party congress which ended earlier this week, would bring the economic system closer to Gatt principles, Tong said.

The government was also committed to reforming the trading system in accordance with Gatt rules.

China had already acted to release state-owned enterprises from central control and liberalise prices, he added. Price reform would be completed within three years.

The government was also ready to reduce customs tariffs, eliminate other import restrictions, and increase the "transparency" of its foreign trade regime.

In return for allowing Taiwan to apply separately for Gatt membership, China has been promised expedited negotiations on its own 1986 application to resume the Gatt seat it left in 1950 after the Communists took power.

These negotiations were suspended in 1989 after the brutal suppression of the pro-democracy movement and a slowing of economic reform. The working party met again last February but made little progress.

US and EC officials said yesterday they wanted to know more about how a "socialist market economy" would work in practice. They also wanted more information on the bilateral accord struck by China and the US earlier this month, which in some respects could serve as a model for the Gatt protocol.

Australia moves to protect pensions

By Emilia Tagaza in Canberra

THE Australian government yesterday announced measures to protect workers' savings in pension funds. They follow the introduction in July of a compulsory national savings scheme that will see pension funds controlling A$900bn (£380bn) of Australian savings by the year 2000.

The plan, to be phased in from next July, includes a compulsory levy on all pension funds to repay members of a fund that goes broke or suffers from fraud.

Mr John Dawkins, the federal treasurer, said that central to the measures was the requirement that all funds be incorporated or have the provision of pensions as their dominant activity.

This would bring all funds within the reach of the strengthened Insurance and Superannuation Commission, which will have the power to remove trustees and take representative action on behalf of fund members.

The government is also forcing funds to diversify their investments by reducing the limit on in-house assets from 10 per cent to 5 per cent.

Members are to be allowed more involvement in their funds' activities. From July 1995, all funds with five or more members will have to have equal employer and employee trustee representation.

The savings scheme introduced in July requires employers to pay 9 per cent of their payroll into a pension fund, and employees to pay 3 per cent of their salaries to a fund by the year 2000.

● The Australian government has set up a company to market new Australian technology, most of which has ended up being commercialised overseas in the past, Reuter reports from Canberra.

"Australia has a well-merited reputation in the research area for clever people creating world-class technology," Mr Don Bourke, chairman of the government-owned Australian Technology Group, said yesterday.

Mr Bourke, a former finance director for Australia's richest man, Mr Kerry Packer, said local innovators had not succeeded in marketing their wares to the business world.

Japanese to investigate petrochemical project

By Robert Thomson in Tokyo

JAPAN'S six leading trading houses have reached an agreement to conduct a feasibility study into the building of a $4bn petrochemical complex, in the northern Chinese province of Liaoning.

The complex would be one of the largest foreign investment projects in China. Mitsubishi Corporation, the trading house, said yesterday the Japanese side would provide at least 51 per cent of the $4bn.

Mitsubishi said the Chinese government had given formal permission for the feasibility study, likely to begin early next year and take at least a year to complete. If all went to plan, the complex, to include an oil refinery and a 450,000 tonnes-a-year ethylene facility, would be completed by the end of the decade.

The proposal by the partners – including Marubeni, Sumitomo, Mitsui, Itochu, and Nissho Iwai – reflects heightened interest in China for production facilities. Japanese investment there rose from $349m in 1990 to $579m last year.

Mitsubishi said some of the oil for the plant was likely to come from the northern Chinese field of Daqing.

Thaw after winter, Page 15

Keizo Obuchi: former secretary-general of the ruling Liberal Democratic party

Successor to Kanemaru named

MR Keizo Obuchi, an aide to ex-premier Mr Noboru Takeshita, was today named as successor to former kingpin Mr Shin Kanemaru as chairman of the dominant faction in Japan's ruling party, but rivals refused to accept the new leader, Reuter reports from Tokyo.

The announcement was made by Mr Ken Harada, 73, a respected elder of the faction, which is the largest of five groups that make up the Liberal Democratic Party (LDP). Mr Harada chaired a week of meetings behind closed doors to try to achieve consensus on the appointment.

However, Mr Obuchi's rivals, who back Finance Minister Tsutomu Hata as Mr Kanemaru's heir, put off a decision on whether to accept the choice, NHK television reported.

Mr Obuchi, 55, a former LDP secretary-general, could inherit extensive influence in Japanese politics if he can avoid a break-up of the faction. However, there has been much public criticism of the closed-door horse-trading involved in his selection.

Saddam wins partial UN victory

By Michael Littlejohns in New York

IRAQI President Saddam Hussein last night appeared to have scored a partial victory in his diplomatic battle with the United Nations, as the world body bowed to his terms for the delivery of relief aid.

Although the US reacted with indignation to an accord negotiated between Iraq and UN officials in Baghdad, which would would further restrict UN control, Britain and France were said to be ready to accept the terms.

Overriding US objections, Mr Boutros Boutros Ghali, UN secretary-general, informed the Security Council yesterday that the agreement should be signed and implemented "without further delay".

However, he acknowledged it did not fully meet what he termed UN aspirations and promised to continue his efforts to strengthen the UN presence in Iraq.

Mr Joe Sills, his new spokesman, told correspondents that the document would be signed "in a matter of days" by Mr Jan Eliasson, the officer-in-charge of humanitarian programmes.

It does not require formal Council approval.

Mr Sills spoke of an "increase" in the number of UN guards, apparently based on the fact that there are only about 100 now on duty compared to five times as many at the start of the operation. He said there would be "an ability to do some things in the south" although the accord does not provide for deploying guards in that area.

The "memorandum of understanding" provides for the deployment of 300 lightly-armed UN security officers, mainly in Kurdish areas of northern Iraq, with a further eight guards stationed in Baghdad. He estimated the total value of future relief aid at $200m.

British tourist killed by gunmen in Egypt

By Tony Walker in Cairo

A BRITISH tourist was killed and two wounded yesterday when gunmen opened fire on a tour bus near the southern Egyptian town of Assiut – a hotbed of Islamic extremism.

An official in Assiut said the woman tourist had died of wounds in hospital.

The incident could hardly be a worse advertisement for Egypt's tourist industry, expected to earn some $3bn this year. Tourism is easily the hard-pressed country's main foreign-exchange earner. Yesterday's shooting followed a similar episode earlier this month when Moslem militants fired on a Nile cruiser with German tourists on board.

Egyptian police said that gunmen ambushed the tour bus near the town of Dayrut, some 270km south of Cairo. Dayrut has, for months, been the focus of a bitter feud between Islamic militants and security forces, marked by persistent violence.

The Egyptian government has been battling a resurgent Islamic movement whose activities were brought into sharper focus by the recent earthquake, with the authorities accusing fundamentalists of seeking to exploit the tragedy for political purposes.

Disturbances on the streets of Cairo last weekend, apparently inspired by Islamic militants and in which government relief efforts were openly criticised, have been regarded as an ominous development.

Summers calls for economic rethink

De Klerk to force through amnesty

By Patti Waldmeir in Cape Town

SOUTH AFRICA'S president, Mr F W de Klerk, yesterday decided to force into law a bill allowing him to grant secret amnesty to security force members for apartheid crimes, after it was rejected by the segregated parliament.

It is the first time he has overruled parliament since taking office in September 1989, and demonstrates the heavy pressure he is under from his own security forces to provide amnesties before a multi-racial interim government takes power, probably some time next year.

Earlier in the day, the president suffered a humiliating defeat when Indian legislators blocked the bill in parliament. He said last night he would refer the bill to the multi-party President's Council, a section of the executive branch of government dominated by his National Party.

The President's Council was designed to overcome exactly those circumstances which arose yesterday: defeat of the governing party in one of the non-white houses of the three-chamber parliament.

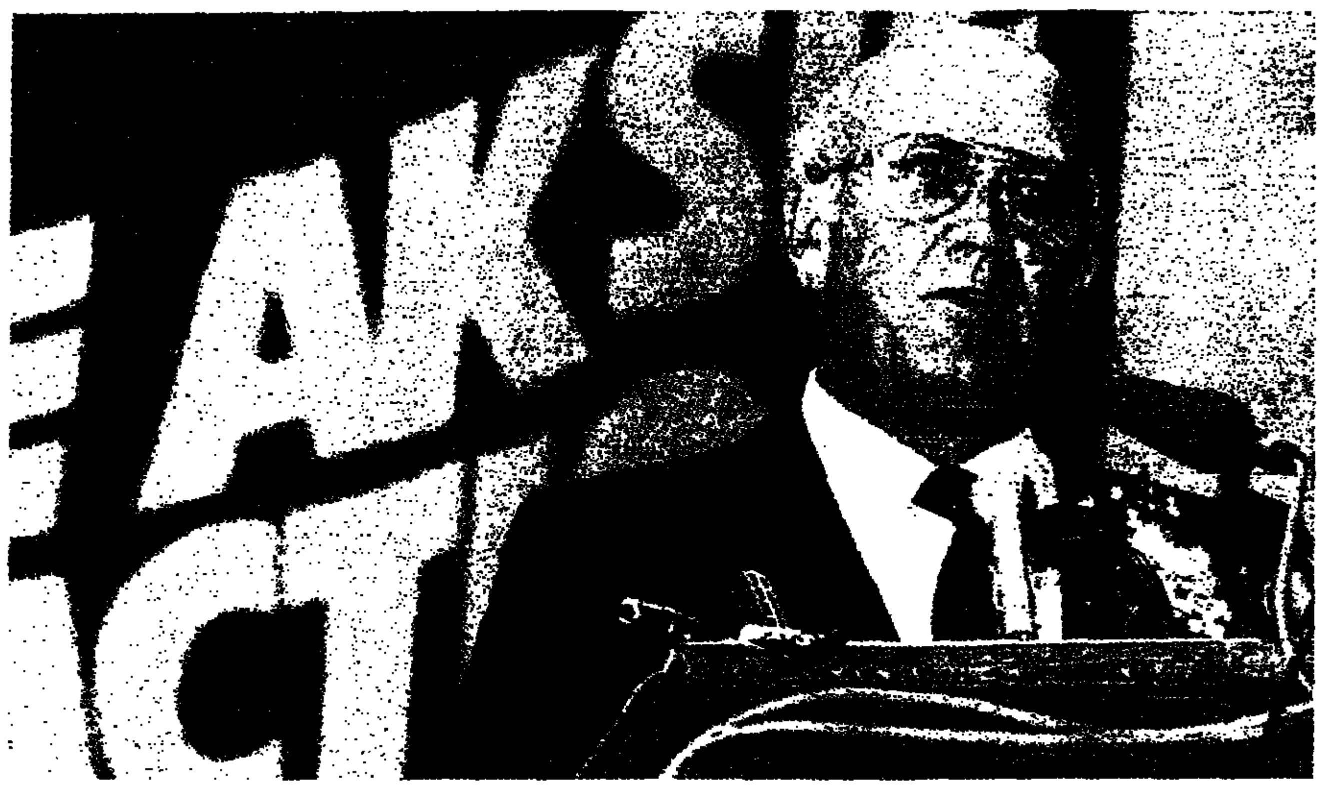
If a bill is defeated in any house – white, coloured or Indian – it cannot become law without being referred to the President's Council (the 308-seat parliament debates jointly, but legislators vote separately according to race).

Mr de Klerk is likely to be sharply criticised by opposition parties for using such an undemocratic mechanism to frustrate parliament's will.

African National Congress officials said yesterday they would nullify any amnesties granted under the law. They did not expect the bill to prove a serious obstacle to constitutional negotiations.

Mr de Klerk claims the legislation is necessary to complete the release of ANC political prisoners, but lawyers dispute this, believing its main aim is to protect the security forces.

Liberal Democratic party spokesman, Mr Tony Leon, called it a "charter for crooks, criminals and assassins". He said: "It massively widens the net of . . . state killers and others in this rogue's gallery of South Africa's terror who will now qualify to walk away from their deeds unnamed, undisclosed and unpunished."



De Klerk: humiliating defeat has prompted him to try to railroad through amnesty for apartheid crimes

Economy may grow by 1.75%

By Philip Gawith

DR CHRIS STALS, governor of the Reserve Bank (central bank), yesterday forecast that the economy could grow by 1.5 to 2 per cent in 1993 following negative growth this year.

He acknowledged it was "not satisfactory", being well below the rate of population growth, but he welcomed the fact that it would bring to an end the negative growth rates of the 1990-92 period.

Dr Stals's estimate is consistent with the forecasts of private sector economists that gross domestic product growth in 1993 is likely to be in the 0.5-2 per cent range.

Speaking at a financial conference in Johannesburg, Dr Stals also gave notice that no relaxation of monetary policy should be expected, despite the country being three and a half years into a recession which is now very deep.

The inflation rate was still "very high" (CPI was 14.3 per cent in August), and nominal interest rates could only be reduced when inflation and international interest rates fell and if the money supply was kept under control along with domestic credit.

South Africans rule out early return to single currency

Philip Gawith on why the financial rand is here to stay

THE gyrations in the financial rand, which earlier this month slipped to a six-year low and a discount of over 40 per cent against the commercial rand, are clear evidence South Africa will not be making an early return to a single currency.

Dr Chris Stals, governor of the Reserve Bank, underlined the point yesterday when he saidthe large discount "proves again that we still need the financial rand to protect the foreign reserves and make a relatively stable commercial rand possible."

He went on to stress that, although the bank had announced in March that it would be intervening in the financial rand market, this was not a commitment to stabilise the currency.

The intervention, he said, was mainly aimed at draining excess liquidity from the money markets caused by large increases in foreign reserves. Stabilisation, achieved during April and May when the financial rand discount fluctuated between the narrow margins of 15 to 18 per cent, was a beneficial adjunct of intervention, not its aim.

"We just cannot commit ourselves as the Reserve Bank to support this exchange rate at all times," Dr Stals said.

At least two conditions would have to be met for the bank to be in a position to stabilise the financial rand: "much higher" foreign reserves than the current level of R11.5bn, and a "more stable political situation where the financial rand exchange rate will be determined more by economic considerations than by political considerations."

The financial rand has strengthened somewhat since its precipitous fall on October 5, which saw it close at R4.83 to the dollar, a discount of 41 per cent to the commercial rand.

At one stage that day, the financial rand traded at R5.11, having last past R5.10 in October 1986. Yesterday, it closed at R4.36 to the dollar, a discount of 33 per cent to the commercial rand, which closed at R2.92 to the dollar.

Analysts ascribe the widening of the financial rand discount to two main factors: continued negative political sentiment, and a perception that South African companies are increasingly being allowed to invest abroad. There have recently been a number of foreign acquisitions by South African companies, mainly financial institutions, and these are conducted through the financial rand.

Dr Stals says that the recent volatility is partially attributable to worldwide nervousness in foreign exchange markets. He downplays the importance of South African companies investing offshore, saying: "The initiatives were taken more by the foreign investors who wanted to sell than by South African investors who wanted to buy foreign exchange."

The financial rand was introduced in 1985 as a means of protecting the balance of payments. It is a barometer of foreign investor sentiment: when the rand is in demand, the discount to the commercial rand narrows, and vice versa.

Until this year, there had been a steady narrowing of the discount, which fell from 53 per cent at the end of 1986 to a low of 7 per cent in November 1991. Since then, events like the Boipatong massacre and the breakdown of constitutional talks have caused the discount to widen.

Earlier this month the financial rand slipped to a six-year low

The sharp weakening in the currency over the past two weeks is a mixed blessing for foreign investors, who are thought to hold as much as 45 per cent of the South African government bond market.

One the one hand, it makes returns more lucrative. Syfrets, a Cape-based investment institution, says that its Income Fund was yielding a return of more than 20 per cent for non-residents compared to the 14.1 per cent return on gilts available to local residents. On the other, a weak financial rand can make the repatriation of funds a costly and difficult process.

Indeed, while the Reserve Bank can take comfort from the protection afforded to foreign reserves by the financial rand, it will be acutely conscious that this stability was not achieved without a price. Foreign investors for one, many of whom have suffered large losses on the financial rand, have not been slow in making their displeasure felt.

Speaking at a financial conference in Johannesburg yesterday,

Dr Stals told his audience of the letters that he had received from these investors, variously describing the country as a "banana republic" and unfit to invest in with such a volatile currency.

For a country anxious to attract foreign investment, those words will have found their mark. Insofar as it can, the bank will certainly be striving to avoid a repetition of the recent volatility.

Retail sales up but business subdued

By Emma Tucker, Economics Staff

RETAIL SALES were slightly higher last month but business on Britain's high streets remains muted, official figures showed yesterday.

A 0.2 per cent rise in sales last month compared with August took the volume of retail sales to their highest level since March last year, when spending jumped ahead of the rise in value added tax. Compared with a year ago, sales were 1.5 per cent higher.

Mr Norman Lamont, chancellor of the exchequer, said retail sales were on a "clear upward trend", but analysts warned that it was too early to talk about a sustained recovery on the high streets.

Mr Michael Saunders, UK economist at Salomon Brothers, said: "The rise in sales does not change the broad picture of a weak economy with strong disinflationary pressures."

Sales in most sectors were either flat or marginally higher last month, compared with August. Household goods sales fell by 1 per cent, reflecting the particularly weak nature of the housing market in September. Sales by department stores rose a sharp 1.3 per cent compared with August.

Over the three months to the end of September, retail sales rose by 0.6 per cent compared with the previous quarter and were 0.8 per cent higher compared with the same three months a year ago.

Mr Lamont said the figures confirmed the message of a recent survey by the Confederation of British Industry that "talk of doom and gloom in the high streets is much overstated". The same CBI survey, however, pointed out that retailers fear a reversal of September's gains this month.

Although household goods sales fell month-on-month, they rose by 3% in the three months to September compared with the previous three months, reflecting a slight strengthening of the housing market before stamp duty was reintroduced on August 20. Compared with the same three months a year ago, sales of household goods rose by 5%.

Economists do not expect sales to recover before the end of year because of the damage done to confidence by Black Wednesday and the ensuing turmoil. In the longer run, however, the recent cut in base rates to 8 per cent should boost consumer spending.

Mr James Barty, UK economist at Morgan Grenfell, said: "Consumer confidence collapsed towards the end of September, which won't encourage to retail sales."

Major's gentle jog on the rocky road to recovery

Philip Stephens looks at the prime minister's declared strategy for growth

MR JOHN Major has put his economic policy in place. He stated it most clearly in an interview this week with Mr Michael Brunson of ITN: "A strategy for growth is what we need; a strategy for growth is what we are going to have."

The vacuum left by sterling's departure from the European Exchange Rate Mechanism has been filled by an approach that says deflation rather than inflation poses the principal threat to the economy.

It will not be quite the dash for growth characterised by some of the tabloid headlines. Rather a medium-paced jog.

Mr Major has not abandoned entirely the fight against inflation which persuaded him to endure the pain of the ERM. There are sensible economic arguments to be marshalled in favour of a further relaxation of monetary policy.

From one perspective, the promise to give priority to the economy is as important as the extent to which Mr Major lives up to the pledge.

His authority and leadership are under attack from within his own party. The political imperative is to persuade his supporters that he has recovered a grip.

After the coal industry debacle Mr Major faced the prospect that the Conservative party would disintegrate under the pressures of public spending cuts and of his determination to ratify the Maastricht treaty. His judgement was that the price of stable prices had become too high for the economy, the electorate and his own backbench MPs.

So when ministerial colleagues tell him that no great harm will come from some acceleration in inflation, the prime minister no longer shows them the door. Instead he is inclined to quote from the satirical novel Scoop: "Up to a point Lord Copper".

Not all in the government have caught up with the switch in emphasis. Mr Stephen Dorrell was despatched from an off-guard Treasury to reassure the currency markets that the shift was a figment of fevered journalistic imaginations.

The political correspondents who had been exposed to 24 hours of high-level briefing from 10 Downing Street wondered sympathetically why the financial secretary had been kept in the dark.

The message from the prime minister's intimates has been unambiguous.

Mr Major has discussed with Mr Norman Lamont the Treasury's latest (gloomy) domestic economic forecasts and the deteriorating international environment. Inflation was under control and the prospects for output at best flat.

The prime minister had decided to rebalance policy towards promoting recovery. He had told the cabinet on Monday that Mr Lamont would spell out the strategy in the Autumn Statement. The prime minister was perfectly happy with headlines declaring "Major goes for growth".

The Chancellor will be more cautious in his presentation. Even now the Treasury's mandarins are writing into the drafts of next week's Mansion House speech the usual warnings that he will be as willing to raise interest rates as reduce them if circumstances demand.

But the frame of mind of those operating the policy levers is more important than public statements of good intentions.

Two weeks ago Mr Major was cautious about interest rate cuts. Now he is looking for the next opportunity.

No one in 10 Downing Street laughs at the suggestion that rates could fall to as low as 6 per cent before they rise again.

A looser monetary policy will be balanced by a determination to maintain the Treasury's spending targets.

Recovery is the shared political priority in a government which has seen its authority shredded. The risk is that by relaxing policy too quickly and too far Mr Major will sow the seeds of the next unsustainable boom. But in present circumstances the prime minister judged, probably correctly, that worrying about events one or two year's hence is a luxury he cannot afford.

The new orthodoxy of political U-turns

Peter Norman explores the latest twist in economic policy

Question: When is a U-turn not a U-turn?

Answer: When it is a change of emphasis.

That, at any rate, was how the Treasury attempted yesterday to explain the latest twist in UK economic policy since the sterling's abrupt departure from the European exchange rate mechanism of September 16.

According to Treasury officials, the disclosure by Mr John Major, the prime minister, in a series of television interviews on Tuesday night that the government intended to build "a strategy for growth" with further falls in the cost of borrowing and a shielding of capital spending projects from this year's tough public spending round was not a new departure in economic policy.

Low inflation, and the government's recently announced target of keeping underlying inflation in a 1 to 4 per cent annual range over the life of this parliament, remained at the heart of government economic strategy.

Where the Treasury did depart from past policy guidance was in saying yesterday that the government will attach particular importance to the interests of industry in the current public spending round. Efforts will be made to sustain capital spending projects with the aim of boosting business and consumer confidence while holding public spending within the £244.5bn total planned for 1993-94. The offset will be fierce pressure to keep public sector pay rises under tight control.

Treasury officials indicated that, barring upsets, the future path of UK interest rates will be downwards from the 8 per cent base rate level set last Friday. But they underlined that interest rate decisions would be made by Mr Norman Lamont, the chancellor, after weighing carefully all the financial indicators, including money supply growth, asset prices and the exchange rate, that currently determine UK monetary policy.

While this enabled the Treasury's public relations team to explain how a government apparently determined to bear down on inflation two weeks ago now had stimulating growth its main priority, there was little doubt that the tone of Mr Major's remarks had unsettled some officials inside the Treasury.

While the emphasis on encouraging growth won support in the City in view of the weak state of the UK economy, there was also some concern among economists that the UK could be reverting to the old pattern of rapid expansion followed by a sudden clamp down in economic policy making.

"We are back on some sort of roller coaster," commented Professor Geoffrey Dicks, of the economics department at the London Business School. "At present, the balance of risks points towards a continuation of the recession and that can justify risking a more expansionary approach. But at some stage the expansion will have to be unwound."

Mr Michael Saunders, UK economist at Salomon Brothers in London, said the economy needs lower interest rates in particular given the weakness of private sector demand in the economy. But the government must be prepared to tighten policy to curb inflationary pressures once there are signs that the economy is moving ahead at a steady pace.

The UK, Mr Saunders explained, seems to suffer from a structural imbalance that can only be addressed through higher taxes or lower public spending. When the economy achieves sufficient growth to bring the public sector finances into balance, it overheats and begins to suffer from accelerating inflation.

Conversely, the economy can operate with low inflation, but only at the cost of running a large fiscal deficit. This structural imbalance has yet to be sorted out and it is far from clear whether the government's Autumn Statement, which is expected in mid-November, will tackle this issue with sufficient rigour.

Confusion about UK economic policy remains. Its future course will have to be judged by the actions, rather than words, of policymakers.

Capital boost for London pride

By Richard Evans

A PARTNERSHIP between the private and public sectors aimed at maintaining and enhancing the reputation of London as a world-class city was launched yesterday.

London First aims to harness leadership and management skills, encourage investment, improve the quality of services and boost civic pride in the capital. It seeks to make up for the lack of a strategic body with responsibility for London.

Behind the launch is the belief that more effort is needed from both the public and private sectors to promote London to ensure it can meet growing competition for trade and tourism from overseas. Its first programmes will focus on education and training, transport, economic development and the quality of life.

The new organisation will work closely with London Forum, a private-sector body announced by the government in July to promote London internationally and to expand the capital's role as a centre for tourism and culture. Core funding for both bodies will come from the private sector.

Sir Allen Sheppard, chairman and group chief executive of Grand Metropolitan, the leisure company, is to be chairman of both organisations, and to ensure a consistency of approach they will share a common executive committee chaired by Mr Stephen O'Brien, executive vice-chairman of Business in the Community which promotes links with local communities.

Sir Allen said that the lack of a strategic body for London had generated an important debate on how best to maintain the quality of London's living and working environment.

He added: "This debate has led to the establishment of the two separate initiatives of London Forum, which will concentrate on promoting London, and London First, which will concentrate on making London promotable.

Mr Michael Howard, environment secretary, welcomed the initiative calling it "a new boost for London".

London First has no political affiliation. It has support from more than 40 companies, the Confederation of British Industry, London Tourist Board, Business in the Community, London Chamber of Commerce & Industry, and the London Training and Enterprise Councils.

London Underground is increasingly optimistic that the government may after all give the green light to the £1.7bn extension of the Jubilee Line to London's Docklands.

Its confidence stems from the switch in economic strategy towards growth and employment signalled by Mr John Major, prime minister, on Tuesday night.

Mr Major said he was determined that the cuts needed to meet Treasury targets in the current spending round should not fall on projects which had a direct impact on jobs and growth.

London Underground was yesterday interpreting this as a signal that the Jubilee Line extension, which will create up to 12,000 jobs during its construction and help regenerate Docklands, will be spared.

Isle of Man pays £4.5m over failed bank

By Sue Stuart in the Isle of Man

THE MANX government is to make ex-gratia payments totalling £4.5m to depositors with the Savings and Investment Bank, which crashed in the Isle of Man in 1982.

The island's parliament yesterday voted overwhelmingly in favour of making the payments in an effort to put the whole saga to rest.

The bank failed with debts of £42m and about 3,000 creditors. Many had deposits of £20,000 or less in the bank and some lost their life savings.

The ex-gratia payment scheme was proposed by Mr Miles Walker, the island's chief minister, and is designed particularly to help smaller depositors. The payment will be 50 per cent of the amount on deposit, subject to a maximum of £5,000.

Mr Walker told the parliament the scheme was based on a compensation scheme available in mainland UK in 1982. That scheme allowed 75 per cent compensation but retained the right to take assignments that depositors received from other sources. Because the Manx scheme will not take depositors' other assignments, the amount has been set at 50 per cent. The bank's creditors have only received 27p in the £1 from the liquidation and are unlikely to get more.

Mr Walker reminded members of parliament that the two main reports into the bank's failure had condemned the banking supervision of the Manx government of the day.

However, the depositors' case alleging negligence against Manx government officers and politicians was lost when it went before the UK Privy Council in April 1990.

Mr Walker said: "We have no legal responsibility to make any payment to any depositor." The Manx government views the scheme as a gesture of goodwill.

Marlene Dietrich with bracelet in the film Stage Fright

Sparkling price for Dietrich bracelet

By Antony Thorncroft

A RUBY bracelet, created for Marlene Dietrich in 1937 by the Paris jeweller Louis Arpels, sold for $990,000 at Sotheby's in New York on Tuesday. The price was more than double the estimate.

The bracelet had been formed from various jewels in her collection and Marlene described it as her: "Busby Berkeley bracelet – because it is so wonderfully large and splashy". She wore it often and featured it in the movie Stage Fright.

It was a highlight of a successful jewels auction totalling $17.1m with 86 per cent sold. There was an auction record for pearls when a necklace of 23 cultured pearls with a platinum and diamond clasp sold for $2.3m.

All 99 lots in the collection of the late Mrs Harry Winston, wife of one of the most innovative jewellery designers of the 20th century, found buyers, bringing in a total of $5.18m. A pair of diamond chandelier pendant ear clips, made by Harry Winston in 1961, sold for $1.4m.

Christie's in London was disposing yesterday of the library of the late John Sparrow, the Warden of All Souls, Oxford, an inveterate book collector. Virtually everything sold and prices far exceeded estimate. Top price was the £7,700, more than twice the forecast, for a 1790 set of Johnson's The Works of the English Poets.

To complete this sudden revival in the art market, Sotheby's met strong dealer demand for the contents of Shadwell Park near Thetford, Norfolk. A Regency sofa table, estimated at up to £20,000, sold yesterday for £75,900.

Britain in brief

OFT decides against probe on detergents

The Office of Fair Trading said that it had decided not to ask the Monopolies and Mergers Commission to investigate competition in the UK laundry detergents market.

Sir Bryan Carsberg, director general of fair trading, said he had seriously considered the case for a monopoly reference. He had decided against it after a review by the OFT had found no evidence of anti-competitive behaviour by Procter & Gamble of the US and Lever Brothers of the UK, which dominate the business.

However, Sir Bryan said he would continue to watch out for evidence that P&G and Lever Brothers were abusing their market power. The two companies account for about 90 per cent of UK laundry detergent sales, worth more than £800m a year.

Treasury plans more openness

The UK Treasury is considering publishing more details about its secret monthly assessments of the economy, which are carried out monthly with the Bank of England, as part of a new policy of openness.

The option is one of several under discussion as Mr Norman Lamont, the chancellor of the exchequer, attempts to make it easier for financial markets and the public to understand the basis for economic policy after the shock of the pound's devaluation.

RAF to cut rescue service

Royal Air Force helicopters are to cease search-and-rescue operations at four UK bases under cutbacks announced yesterday.

The reorganisation of search-and-rescue activities, the most popular aspect of the RAF's presence in coastal and mountain areas of Britain, comes after a year-long review. The Ministry of Defence opted against hiving off rescue responsibilities to the private sector.

Donations to charity down

Britain's charity sector is shrinking with public and corporate donations down in real terms, the Charities Aid Foundation said.

CAF's annual Charity Trends – one of the main sources of information about the voluntary movement – shows a growing divergence between the fortunes of a small group of large charities and the rest of the sector.

Britain's 400 biggest charities increased their real income from voluntary donations by around 6 per cent last year.

Lloyds code for small business

Lloyds Bank will today announce a revised 'contract' with its 350,000 small business customers to replace the charter of improved services it published a year ago.

The bank was criticised by small business groups for the vagueness of the document it produced last November when all the other large banks were publishing codes of conduct for dealing with business customers.

It will next month send a contract, personally signed by individual bank managers, to each of its small business customers.

The contract commits the bank to dealing fairly and openly with its customers and promises to provide advance warning to any changes in tariffs and the terms of borrowing agreements.

Life industry loses agents

The life insurance industry lost 22,000 sales agents since June 1991 - a drop of roughly 12% – due to a combination of tougher monitoring by regulators and the effects of the recession, according to Lautro, the self-regulatory body for the industry.

Barclays in perks talks

Barclays Bank has agreed to discuss cuts to cheap loans for staff with unions.

The specialised staff loans are for cars and school fees as well as holiday and retirement homes. The move is consistent with all the banks' attempts to cut labour costs in the recession.

Jaguar in £7m investment

Jaguar, the UK luxury car maker, is to invest around £7m at its Browns Lane, Coventry assembly plant to modernise the final assembly track. The investment will allow Jaguar to introduce more modern assembly methods, including so-called "doors-off" assembly.

TECHNOLOGY

Continuing a series on software, **Claire Gooding** explains how the TSB Group is using multimedia to develop and test its managers' financial skills

Getting closer to the customer

SOFTWARE AT WORK

An energetic, middle-aged man enters the office and takes a seat on the other side of the desk. He is wearing a casual jacket and sweater – unusual for an MD seeing the bank manager – and his manner is brisk. "I haven't much time, I've got to get back to the shop," he says.

His name is Richard Evans, and students on the TSB Group's management courses get to know all about him and his plans to expand his high-street pharmacies by diversifying into menswear.

Using a real company, its accounts, its staff and its dilemmas, TSB staff can hone their skills using interactive video. In the same way that a flight simulator gives the illusion of real interaction, multimedia techniques provide a real "customer" on the screen.

Saying yes (or no) to a potential borrower demands a blend of analysis and judgment not easy to teach. The TSB Group Management College is using multimedia techniques to develop and test its managers' financial skills in a situation as close to real life as possible.

Students converse with Evans through the keyboard. They pose questions by typing in certain words – for example, capital, assets, turnover. The computer composes questions derived from these words, so avoiding the need for keyboard skills.

The questions are selected from a list of 800 options. The user can comply with a suggested question, or search for another. For computer-shy branch managers (97 per cent have never used a keyboard before), the Y and N keys are labelled clearly. Back comes the appropriate pre-recorded response from Evans, complete with mannerisms and body language.

"It brings a subjective element into the classroom that just can't be reproduced on paper," comments Theresa Barnett, head of business development.

Learning is a holistic experience at the college. The students are typically managers of all age groups, *resident for up to a week at a time.* They are encouraged to test and assess themselves, not only in the classroom. A swimming pool and a supervised gymnasium lie on one side of the 1990s-style cloister.

Multimedia techniques have brought a breath of real life into what used to be largely paper-based exercises. As with studying a foreign language, the real learning starts only when the theory is put into practice.

Real people, according to Barnett, were co-operative when it came to being "guinea pigs" for her training courses. But, as she points out, there was a limit to the number of times they could be asked to participate.

"These are busy people with businesses to run, and that's what they *should be doing. You can't have 12* people interviewing the same person, posing the same questions over and again."

Her solution, using multimedia techniques, was ingenious and cost-effective. It drew on previous experience with video and paper-based exercises. "We researched a real business and put it into an interactive video."

*Evans is a real person, with genu*ine plans to take his chain of shops up market. The process of researching, devising and scripting the dialectic took six weeks. Every possible question had to be researched and its reply recorded. Taking no chances, Barnett pressed six experts into service to provide a broad spectrum of techniques. The thorniest job was to pare down the answers into tight, pithy scripts which became the "sound bites" prompted by students.

The scripts are interpreted by an actor, who met the real-life protagonist so that he could reproduce his mannerisms, turn of phrase and personality faithfully.

Barnett emphasises that multimedia should not be seen as something new and frightening, merely an evolution and amalgamation of familiar teaching tools, consolidated by the use of the computer.

"Multimedia is a lot of things we already know about – sound, picture, video, computer graphics and printouts – just connected. It's easier to have multimedia on your desk rather than lots of different machines. It can go with you wherever you are working."

The next step came in 1988 when Barnett and her colleagues recognised that they could "re-purpose" the interactive video. "It occurred to us that we could create a different program from the same video," she explains. "We wrote a different piece of software and used the video as a database of background information."

The new video was fleshed out with CVs of other staff members, balance sheets and forecasts in Lotus 123 spreadsheet format, and market research on pharmacies, regulation, local competition and other factors.

Students could then do an open-ended SWOT analysis (Strengths Weaknesses Opportunities Threats). The tutor could focus on any aspect: recruitment, human resources or capitalisation.

There were savings on time and and cost in using the same source material, but also spin-off benefits outside TSB, in an RBI project to educate head-teachers about business principles.

When the real-life Evans visited the college to watch his impersonator in action, everyone was intrigued to hear how his business had fared subsequently. A fraud perpetrated by a fellow director had leached thousands from the balance sheet, threatening the cashflow and shrinking stocks. The result was a sequel video in 1989.

The exercise takes several hours, and is an entertaining mix of soap opera, documentary, detective thriller and interactive Cluedo.

The student picks a route through evidence, drawing on resources such as personnel records, appraisals, company accounts and legal tomes, all available through the computer.

Role-playing as an investigator, the student can call other characters into the multimedia office, and practise such tricky human situations as accusing an accomplice of theft, firing an old friend and threatening legal action.

The dialogue is recorded and can then be edited, with the user reviewing his own reactions. Unlike real life, the interviewer who feels he has made a mess of any part of the dialogue can re-record the skirmish until he is satisfied. The whole interview can be kept on compact disk for replay, review and discussion.

The technique has proved popular with users. "It's a first-class method of learning," comments one. "It really brings the case studies to life, and it allows delegates to trace their steps and actions stage by stage," says Wally Valentine, financial services manager.

Paul Turner, director of the college, takes a broad view of the benefits of multimedia training. "The organisation needs managers who match the opportunity to sustain competitive advantage. We're using proven technology to train them, although the application itself is new. Multimedia is an exponential leap for us."

Barnett believes the multimedia manufacturers have not yet spotted the true potential of multimedia software in a tutorial, rather than purely one-to-one, instruction.

Theresa Barnett: 'It brings a subjective element into the classroom'

COMPANY SNAPSHOT

TSB Group Management College is based in an old manor house in Shirley, Solihull, outside Birmingham. The TSB Group includes TSB Retail Banking and Insurance (TSB RBI); TSB's corporate and merchant banking arm Hill Samuel; Noble Lowndes, Swan National, TSB Property Services, Universal Credit, and UDT Financial Services in the commercial division. In total the group employs 38,000 people, serves 7m individual and corporate customers, has capital employed of some £2.5bn and total assets of around £26bn.

Nature of Business: *Founded 25 years ago, the college serves various* parts of TSB. The majority of the students are drawn from the 25,000 employees of TSB RBI and from Hill Samuel. Between 4,000-5,000 managers attend courses at the college annually. Most students are senior managers who stay at the college for a week at a time.

Investment: TSB has spent £4m in extending the college premises in 1992.

Employees: 47, not including contractors such as the gym and restaurant staff.

Key Personnel: *Paul Turner,* director, and Theresa Barnett, head of business development, at the college. John Hodges, head of training, design and delivery, at TSB RBI.

TECHNOLOGY FILE

Software: TSB Group's multimedia training courses use interactive videos developed in-house entitled A Question of Business (1987) and A Case of Disappearing Pills (1989). A third video, a French course for schools, has been sponsored by TSB Group Community Project. TSB RBI also uses published programs such as Longman's Caring for Your Customer.

Hardware: Eight Sony laser disk players in the TSB college; 12 IBM 286-based PCs. Sony monitors on the PCs are able to display computer-screen messages and video simultaneously. There are 80 Sony view systems in the TSB RBI centres.

Cost of project: *The original* interactive video project in 1986 cost around £50,000 including the casting, acting and filming, and the use of various production consultants. The initial investment in hardware for running the videos (as opposed to developing them) amounted to £18,000. About £30,000 was spent on contractor services. Two college employees worked full-time on the project but more were involved in the research, interviewing and assessment.

BUZZWORDS

MULTIMEDIA describes a mixture of resources controlled by computer. Paper-based sources, computer graphics, video, sound and other choices are controlled through screen-based options.

RE-PURPOSING *means the source material, usually video* (which is costly to film and produce), is adapted for a different purpose by using it with a new software harness.

CONSULTANT'S CRITIQUE

Training often takes the part of Cinderella – languishing in the kitchen while other, more fashionable, departments go to the high-tech ball. The fairy godmother arrived in the 1980s, as managers finally saw staff as an asset to be developed.

***Training centres were much* in vogue, although cynical observers saw them more a means to acquire impressive country properties.**

Recession sounded the stroke of midnight and *pressure is now on to justify* continuing budgets and to maximise existing resources.

At the TSB, investment in video technology has led to *interesting spin-offs.* John Hodges, head of training, design and delivery at TSB Retail Banking and Insurance, was approached by a number *of school head teachers. As schools were increasingly* driven to develop a business-like approach, heads recognised that they had no commercial training.

There are a number of parallels between the operations of a *school and a* pharmacy – premises, purchasing, stock and so on. Using the video system, Hodges produced a course for head teachers.

TSB has used the video to evaluate the business sense of potential graduate recruits.

***Far too much money is spent* by companies re-writing from *scratch what they already* have. Programmers not only want to re-invent wheels but the concept of transport itself. Hodges has ably demonstrated the cost savings of adapting rather than originating.**

***The portability of the system* has allowed it to be taken out beyond the cloisters of the residential college. The goal is *to keep learning as close to* the individuals as possible.**

Hodges refers to the multimedia centre as a "peripatetic learning centre". *Effective monitoring also* allows users to follow up with *further training.*

The TSB has blended leading-edge technology with a climate for learning. The old sits happily alongside the new.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

MANAGEMENT: MARKETING AND ADVERTISING

Gillette and Avon are launching multi-million pound promotional campaigns to re-establish their brand names. **Gary Mead** reports

Sharpening the image

Tinkering with a brand image is a dangerous game. But when competitive pressure reaches critical mass, there is little choice.

Two of the oldest brand names in *mass-market personal care products* have decided that now is the time for a rethink. The experience of both Avon (founded in 1886) and Gillette (1903) shows that even leading brands can be vulnerable.

Both companies lost sight of their core strategies in the late 1970s and early 1980s, diversifying and thereby losing ground to competitors. Gillette followed the pack into disposable razors; Avon took its eye off its main market, cosmetics.

Companies with successful brand name longevity appear to concentrate on doing one thing supremely well and keeping a single brand name firmly at the forefront of consumer awareness.

Thus Gillette has now decided that the future for its personal care division – one of three divisions – is to attempt to replicate the success of its non-disposable razor, Sensor, which is heavily branded with the Gillette name. Gillette's new male toiletries range – launched in London recently with more dry ice and flashing lights than a Christmas panto – is called Gillette Series. The 13-product range results from $75m (£43.6m) spent on research and development.

The new line is backed by a $75m marketing budget in its first year in three launch markets, the US, Canada and the UK. The company's UK marketing budget of £15m for Gillette Series is 12 per cent of its turnover in the British shaving business.

Bruce Cleverly, Gillette's general manager for northern Europe, says the company is trying to develop a "mega-brand strategy. In 1988 we said we really needed to do something about the Gillette business, it's becoming a commodity market, we have a lot of well-known sub-brands but our biggest strength is the name Gillette and we really haven't treated that brand name with the importance it deserves."

Thus when Sensor was launched in 1990, it was accompanied by a global advertising campaign which hinged on emphasising the Gillette brand name, with the slogan, "Gillette, the best a man can get."

Sensor revived the company's fortunes which had been flagging under pressure from the plastic disposable razor, bought on price, not brand name. But the premium-priced Sensor launch was not just about new product development. It coincided with restored marketing budgets, which (measured in 1987 terms) had in the US fallen from $61m in 1975 to $15m in 1987.

Gillette is minimising risk of failure for its new range by taking a leaf out of the successful Sensor campaign and piggy-backing on a reinvigorated brand name.

Avon, the US cosmetics company, had a different set of problems which largely flowed from the changing nature of industrialised society. For a company which depended on direct selling, one big social change – women increasingly leaving the home in the 1970s and 1980s to go to work – was a serious problem.

DURABLE BRAND NAMES

Category	Leading brand in 1923	Current rank
Cameras	KODAK	No. 1
Canned fruit	DEL MONTE	No. 1
Chewing gum	WRIGLEY'S	No. 1
Crackers	NABISCO	No. 1
Razors	GILLETTE	No. 1
Soft drinks	COCA-COLA	No. 1
Soap	IVORY	No. 1
Soup	CAMPBELL	No. 1
Toothpaste	COLGATE	No. 2

Sources. Business Week/Boston Consulting Group, July 1991

Avon's US sales rep force fell by 10 per cent between 1980-84, to 400,000. Americans are annually working an average 158 hours more than 20 years ago: fewer people are interested in part-time selling and there are fewer at home to buy.

Avon diversified into speciality chemicals and healthcare, moving from being in 1982 almost debt-free to having debts of $1.13bn in 1989. That, in turn, attracted four unwelcome takeover bids in three years.

Jim Preston, the current chief executive, took over in mid-1988 with a brief to return the company to its core cosmetic business and reverse the tide. He sold off peripheral companies. Sales increased from $3bn in 1988 to $3.6bn in 1991; debt has been reduced to $352m at the end of 1991.

In the process, Preston has carved Avon's globe in two, with different marketing strategies for industrial and emerging economies. With the latter, he anticipates sales growth of 10-12 per cent annually, largely using the tested method of direct sale reps.

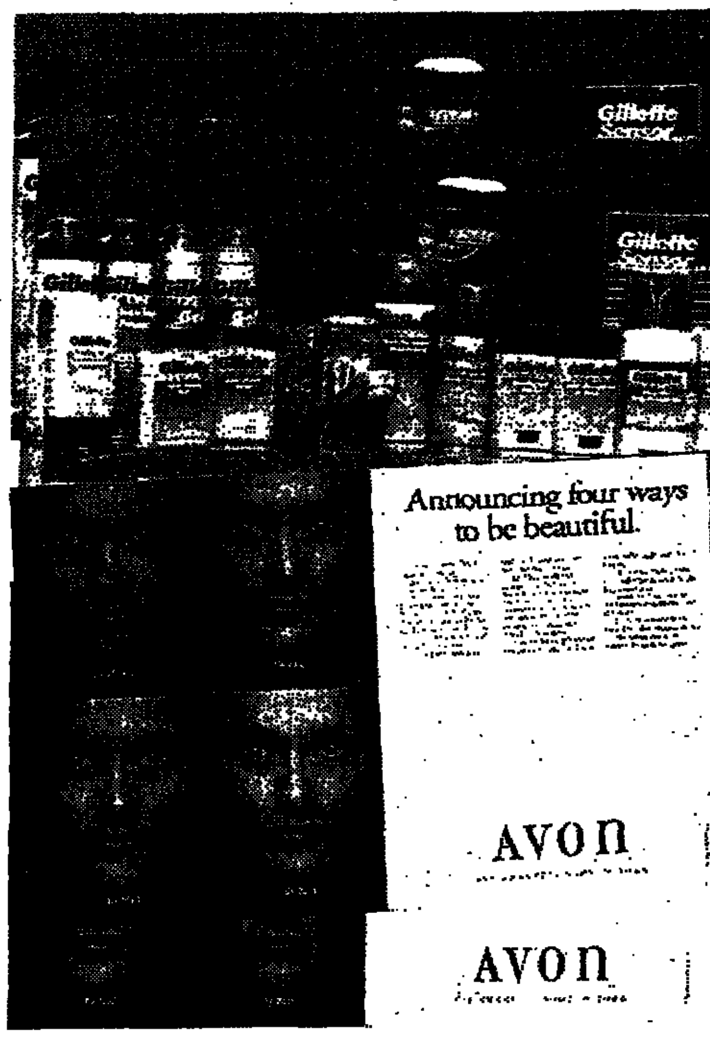
But it is in already highly developed markets where Avon faces stiffest competition, and where Preston hopes the company's revamped image will make the most difference: "Our key challenges in these developed markets are image and access."

Preston acknowledges that Avon has had a very dowdy image. To counter that, Avon is quadrupling its advertising budgets, taking it to 2-3 per cent of sales over the next two years, and turning towards images more in tune with contemporary women.

The new advertising campaigns hope to make a virtue out of the declining numbers of house-bound women in developed economies, by making it possible to purchase Avon products via fax, telephone and mail, as well as the traditional sale rep.

Now using the generic slogan "It's never been so simple to look so great", Avon's new global advertising campaigns try to combine its old strength – ease of purchase – with a new appeal to sophisticated lifestyle. But Avon faces serious competition in the estimated $45bn global personal products market. The market is relatively fragmented with 70 per cent in the hands of some 15 companies.

However, four of the big five – *Procter & Gamble (US), L'Oreal* (France), Unilever (Anglo-Dutch) and Shiseido (Japan) – spent the late 1980s making acquisitions which, unlike Avon's, meshed into their existing core businesses. Avon's recent expansions into China, east Europe and other emerging economies make sense; but closer to home its greatest need is for its own current facelift.



Gillette and Avon are moving back to what they know best

Follow your nose to the new world

Philip Rawstorne reports on a change in wine drinking habits

Britain's wine market seems to have been affected by a touch of Euro-scepticism. Demand for French, German and Italian wines is falling and consumers are developing a marked taste for the "new world" wines of *Australia and New Zealand*, South Africa and California.

The EC's big three wine producers still supply the bulk of the UK's light wines; but their combined volume share of the market has declined from 86 per cent in 1989 to 76 per cent in 1991.

While UK wine imports fell 2.2 per cent overall last year, volumes from France were 7.4 per cent down, supplies from Italy dropped nearly 6 per cent, and 4.4 per cent fewer bottles came from Germany. In contrast, there has been a surge in imports of new world wines as consumers discovered such names to savour as Jacob's Creek and Hawkes Bay, Pearl Springs and Inglenook.

New Zealand's wine makers established an office in London last year with a 12-month sales target of 1.8m litres. They sold double that volume. In July and August this year, shipments increased 76 per cent in volume and 117 per cent in value over the same months last year.

Australian exports to the UK have grown from 800,000 litres in 1985 to 18.2m litres in 1991. Volumes for July and August this year were 88 per cent ahead of the same period last year. US wineries sent 10.5m litres to Britain in the first half of this year – an increase of 25.5 per cent on the first half of 1991.

Since the lifting of economic sanctions, South Africa has rapidly re-established a foothold in the market. Exports rose 61 per cent from 1.7m litres in 1990 to 2.8m litres in 1991. The tide is running even stronger this year. Total volumes for the first six months were 156 per cent higher, and shipments of white wine increased 256 per cent.

These shifts in the pattern of Britain's £900m-a-year wine trade reflect a number of influences, not least some shrewd marketing by the new world producers.

The British are still modest wine consumers – pouring themselves on average no more than a couple of glasses a week. Though recession at present encourages restraint, the market's potential for growth is considerable.

Yet many French wines have become over-priced and German wines have suffered from meagrely-funded promotion. The new world wine producers have seized the opportunity to appeal to off-licence and supermarket shoppers with value-for-money products.

Australia and South Africa have focused from the outset on the mid-price range. California, which first entered the market at the cheaper end and suffered as a result from a poor quality image, has now climbed into the same bracket.

Just as much care has been taken over the appeal to consumers' palates as their pockets. The Victoria Wine chain *has trebled sales of Californian* wine and increased sales of New Zealand wine by more than 500 per cent this year.

South African producers, who used the years in which they were barred from many world markets to improve their viticulture and wine-making techniques, also put a lot of research into discovering what consumers wanted.

What many UK consumers did not want, it emerged, was the acidity of a Muscadet or *the leathery taste of a Burgundy.*

The new world wines have been promoted in the UK with a single-minded dedication to put as many glasses in the hands of as many people as possible.

Such marketing has been reinforced by the success of the new world producers in dispelling much of the mystique in which the European wine industry seems to be wrapped.

Just decoding a German wine label, cluttered with Gothic script, or identifying yet another French chateau inhibits many potential consumers.

One factor which has probably contributed much to the increasingly catholic tastes of the UK consumer has been the labelling of wines with the variety of grape, such as Chardonnay or Cabernet Sauvignon, from which they were made, says the Wine and Spirit Association.

There are enough similarities between a Cabernet Sauvignon from California and one from Australia to reassure the drinker that if he has enjoyed one, he will enjoy the other.

PEOPLE

Sir Anthony Tennant to join Morgan Stanley as an adviser

Sir Anthony Tennant, who is stepping down as chairman of Guinness at the end of the year, is to become a senior adviser and director of Morgan Stanley International.

Sir Anthony, who says he has worked with Bob Greenhill, president of Morgan Stanley Group, for many years, had used Morgan Stanley's services when he was at Grand Met, and then at Guinness where the US investment bank advised, among other things, on the Glenmore Distilleries acquisition.

Whereas appointments of prestigious names from British business to be advisers at City institutions do not always in practice amount to much, Sir Anthony suggests he intends to roll up his sleeves and get closely involved in Morgan Stanley's work. He says he plans to "spend a lot of time – as much as is needed" at the bank, immersing himself not just in group strategic issues but in the policies and strategies of important clients – including meeting those clients directly.

Last month confirmed as chairman of Christie's when Lord Carrington steps down next May, and recently appointed to the board of Forte, Sir Anthony suggests his time post-Guinness is now more or less spoken for. "My main activities will be Christie's, Morgan Stanley and Forte in that sort of order," he explained yesterday. "I think that will be enough, don't you?"

More turnover in small business

Lloyds Bank has appointed new directors of its small business services division more frequently in recent years than most of its customers change their PIN numbers.

The newest appointee to the small firms' job is Mike Shaw, at present Lloyds' area director in charge of 17 branches in Birmingham.

Aged 45, Shaw will shortly be moving to Bristol to lead a team of a dozen head office staff and some 800-900 staff in the bank's 355 business centres.

Shaw will become head of business services within UK retail banking and is a couple of rungs further up the banking ladder than his predecessor who was in the job for about a year. Shaw's greater seniority reflects the increased importance Lloyds attaches to the small business sector, the bank says.

Shaw believes one of the main problems the banks face in dealing with customers is poor communications rather than any basic flaw in the service provided. The publication today of a "contract" with small business customers to replace the rather anaemic customers' charter produced by the bank a year ago may do something to improve that relationship.

Shaw joined the bank in 1968 and after a spell in London had postings with four different branches of the Bank of London and South America (BOLSA) in Brazil followed by 12 years in North America.

He has most recently been occupied in defending from demolition the Rotunda building in Birmingham's unloved Bull Ring which houses one of Lloyds' busiest branches. He led the bank's fight against a compulsory purchase order earlier this year though the government has yet to give a final ruling.

Appropriately enough for a banker, Shaw is a keen numismatist – he has an almost complete collection of British crowns – though he took up the hobby before joining Lloyds.

Richard Beynon, formerly a main board director at Allied Dunbar, has been named managing director of Midland Personal Financial Services and chief executive of Midland Life, its life assurance subsidiary. He is the third main board member to leave Allied Dunbar since the departure of Mike Wilson in late 1990 to join Sir Mark Weinberg in the new J Rothschild Assurance Company.

Beynon, who started out as an Allied Dunbar salesman 17 years ago, says there is no suggestion that the hard selling reputation garnered over the years by Allied Dunbar will be transplanted to Midland Bank. "They have this horrible reputation as Allied Crowbar," Beynon says. "In fact, they are only aggressive on prospecting for names. Once they make a sales call, they are very professional and don't hard sell at all. And there is no need for prospecting at Midland."

Banks in general, and Midland in particular, have the three necessary ingredients to survive in the increasingly competitive retail financial services business: a directly-employed sales force, multi-channel distribution and "a source of warm clients," Beynon says. Midland has plans to increase its personal financial services sales staff to 750 by the end of 1993 from 450 now.

Professor Douglas McWilliams is stepping down from his post as chief economic adviser to the Confederation of British Industry. He has been a ubiquitous presence on radio and television in recent months and has consistently taken a gloomy line on the prospects for the UK economy. "Unfortunately, I have been proved to be right," he says.

McWilliams will still act as a consultant to the CBI but will no longer be an official spokesman for the organisation. Meanwhile he has big plans for his consultancy London Economics which is to be renamed the Centre for Economics and Business Research. One service he hopes to provide is a user's guide to the effectiveness of the many business surveys which are produced.

He also hopes to return to the cricket field where a leg injury, which he once suspected to be gout, restricted his play this year. These days he is built for comfort rather than speed, but his canny swing bowling has tricked many a good batsman. Even more important for a cricketer, he knows that the most important battle to win is the post-match discussion in the bar.

- **John Condon** has been appointed a director of HARMAN WICKS & SWAYNE; he moves from River Thames Insurance Co.
- **Shaun Astley**, formerly marketing director of General Portfolio, has been appointed BUPA's director of personal markets.
- **Laurie Edmans**, formerly assistant general manager, has been appointed an executive director of NATIONAL PROVIDENT INSTITUTION.

Cinema/Nigel Andrews

Front-line dispatch from the sex war

HUSBANDS AND WIVES
Woody Allen

1942: CONQUEST OF PARADISE
Ridley Scott

PRAGUE
Ian Sellar

BUFFY THE VAMPIRE SLAYER
Fran Rubel Kuzui

The weightier a movie, the swifter it sometimes sinks. In America Woody Allen's *Husbands And Wives* and Ridley Scott's *1492: Conquest Of Paradise* – two of the decade's best films to date – are going down fast at the box office, gurgling "Mayday" as the waves of audience indifference close over them.

Both, one concludes, present discoveries that Mr and Mrs Average Filmgoer do not want to know about. *1492* is about the way the New World discovered Christopher Columbus soon after he discovered it. And in *Husbands And Wives* we learn things about Woody Allen and his art that will disturb anyone still thinking of him as Filmdom's bespectacled funster.

Not, heaven knows, that the media sages have not tried to dent that image. Here, they have cried of this film, is the artist transcribing his own crumbling romance with Mia Farrow in the tale of Gabe and Judy (Woody and Mia), whose marriage begins to splinter soon after they hear that their best friends (Sidney Pollack and Judy Davis) are separating. And look! Our menopausal hero also falls in love with a girl old enough to be his daughter (Juliette Lewis).

But five minutes into this film, who cares about the real-life parallels? Allen himself, in a pre-emptive attack, sets about the old proverb in an early scene: "Life today doesn't imitate art, it imitates bad television." And Allen the director in *Husbands And Wives* takes a potentially soap-operatic story and subjects it to the high-speed rinse-and-renew cycle. The film combines a *cine verité* camera style with a fast and furious *verismo* in the performances. This is not about Allen and his troubles; it is about all of us and our troubles.

As the camera judders and pans around the chic New York sitting rooms, lives strive to stay upright in the hurricane. Allen is a schoolteacher surveying an intellectual age fast entering a new insanity (where theses abound with titles like "Oral sex in the age of deconstruction.") And Farrow is part marital punchball, part restless matchmaker. She pushes best friend Davis into the arms of architect hunk Liam Neeson, while Davis's own ex-mate (played with eye-rolling mid-life anguish by director Sidney Pollack) scampers after an airheaded aerobics teacher.

Love's labours are not just lost; they are hastened towards disaster as if by a footballer dribbling towards his own goal. No Woody Allen film has had such passion in its comedy. We rock with glee at the scene of dressed-up Judy Davis taking time out to scream down a phone at adulterous Pollack while a stupefied friend waits to escort her to the opera. And no Woody Allen film has had such comedy in its passion. Watch the young Miss Lewis dismembering the adoring Allen's self-esteem, as she takes apart his draft novel in a taxi conversation. "But I thought you admired it," he finally stammers. "Well, *Triumph Of The Will* is a great movie, but . . ."

Husbands And Wives is a front-line dispatch from the sex war, complete with bullet-holes, powder burns and tear-stains of helpless laughter. Styled like an on-the-hoof documentary, its shuddering camera and straight-to-lens monologues make recent Allen sex comedies like *Alice* seem tamely orthodox. Better still, it shows that Allen the performer has grown far beyond the schoolboy-in-shock phase of his early career. He is now an adult in shock, wiser and sadder but no less hilarious. As Miss Lewis tells his would-be writer in one of her few front-handed compliments: "All this suffering and you make it so funny."

★

Those who do not learn from history, we are told, are condemned to repeat it. But by what nightmare learning lapse has the cinema been condemned to repeat the Columbus story three times this year? Perhaps it failed to learn that anniversaries alone do not justify trotting out and re-trotting the same chunk of Hispano-Hollywood hokum.

Ridley Scott's *1492: Conquest Of Paradise* spends a dutiful hour going through the usual stations of visionary heroism. Columbus (Gérard Depardieu) the dreamer gazing at the sparkling sea; Columbus the rebel railing against the Catholic church; Columbus the courtier spying friendship in Queen Isabella (Sigourney Weaver); Columbus sailing through sunsets and near-miss mutinies to the promised land.

We heave a sigh of relief when the feet finally stomp through the slo-mo surf to land on the welcome mat of history. Is it over? Can we go?

No. For then the film begins. And in this glorious semi-apocryphal second act Columbus-Depardieu, having bitten off his piece of the New World, is rudely bitten back by it. His paradise island, with its Toytown of half-built churches and government buildings, is battered by human storms and natural hurricanes. And when his emergent slave culture tastes the blood of rebellion, Paradise proves to be merely Hell turned a different way to the light.

You might argue that other filmmakers – Herzog in *Fitzcarraldo*, Saura in *Eldorado* – have been here before. This is the coloniser colonised by his own deliriums of power; the natives turned righteous avengers leaping from the camouflaging wilderness. But with Scott going into the visual overdrive he showed in *Blade Runner* and the underrated *Legend*, this film soon outpaces its own pacesetters.

Every image has a painter's passion for organic, restless detail: billowing smoke, flickering fires, the hieratic geometry of waving flags and banners. And the sense of Nature biting back at Nurture crescendoes in a storm scene choreographed with unforgettable force and simplicity: three goblets dancing on a wooden table, a window-casing flung across a howling room, Columbus pinioned to a wall by his own furniture, marching across the room as if alive.

At the end of this scene Scott cuts to an image of peace and renewal no less eerie than the maelstrom of destruction. A work party of ants carrying sun-translucent green leaves trots across Columbus's floor in a sardonic, Lilliputian parody of human endeavour.

Ridley Scott on this form – and in larger set pieces like the cathedral scene with its giant incense-bearer swinging overhead like a demolition ball of history – is the cinema's great decorative expressionist: a Von Sternberg for our times. He should take a bow too for casting GD as CC. Depardieu's protean grace as a performer – he looks like the Incredible Hulk, he moves like Nijinski, he acts like Olivier – make this Columbus a hero, child and visionary all in one. *1492*, if not the last word on Columbus, is definitively the last image.

Woody Allen: 'Husbands and Wives' is about all of us and our troubles

★

There are few *terrae incognitae* left in the modern world, but Europe is one. The continent featured in movies like Ian Sellar's *Prague* is a dark, uncharted place populated by a tribe hitherto unknown to man. These are Euro-actors: itinerant mummers like Bruno Ganz and Sandrine Bonnaire who wander from one co-production to the next, swallowing the script and then spewing it out in the lingo of the day.

In *Prague* the lingo is Runic English. A young Scot (Alan Cumming) comes to the Czech capital to trace his grandparents, who died in World War 2. Old newsreel footage may provide enlightenment, but not if film archivists Ganz and Bonnaire can help it. They are – bring on the capital letters – Mysterious Middle-Europeans. They play with the stranger, charm him, seduce him, abandon him. And for why? God knows. Probably because film-maker Sellar has seen too many Resnais and Antonioni films and thinks that is how people behave *sur le continent*.

If *Prague* is mystification with thick accents, *Buffy The Vampire Slayer* is drivel in Valleyspeak. Buffy (Kristy Swanson) is the high school cheerleader picked for cross-and-stake duty by Donald Sutherland's 500-year-old vampire operative. The film's idiocy is relieved only by the schoolgirls' spurts of L.A. slang. I particularly liked *"What's the sitch?," "Get out of my facial"* and "You're behaving like the Thing from another Tax Bracket." Six out of ten for script-writer Joss Whedon; one and a half and stay-in-after-class for director Fran Rubel Kuzui.

Theatre/Malcolm Rutherford

Kiss of the Spider Woman

Some people may like *Kiss of the Spider Woman*. Since I did not, and so much work has obviously gone into it, I shall try to make my remarks as objective as possible in order not to undermine other people's pleasure.

It may be advisable not to sit too close to the front of the stalls. *Spider Woman* is a very big musical, at least in its pretensions. The Shaftesbury Theatre also has a large stage. The set is almost uniformly a prison with metal bars, literally hundreds of them.

Yet the trouble with turning the stage into a prison is that you tend to keep the audience out rather than invite them in. This is not a show full of warmth.

There is a second motif in the spider's web. It has a similar effect to the prison bars. This spider does not entice people in; it drives them away. It is true that there is a smaller cell inside the larger prison. Here is where the intimacy is supposed to take place.

The central relationship is between two prisoners, one a poor homosexual who has been entrapped by a minor, the other a Marxist revolutionary familiar to Latin American politics.

Gradually they become mutually dependent, eventually to like each other and finally to embrace. The essential point of the relationship is that it is micro and develops in a small space. It is anything but micro in Harold Prince's production. Thus the main thrust of Manuel Puig's novel is lost.

Is anything valuable put in its place? The answer is no. There is a lot of loud music by John Kander with lyrics (none of them memorable) by Fred Ebb. Chita Rivera as the Spider Woman flits about much like the phantom in the Opéra.

At one stage there is a trip to what looks like the Brazilian jungle. The Latin American police are shown to be crude in their methods. One of their punishments consists of placing a metal bucket over a prisoner's head and banging on it with metal rods.

There is also a touch of sentimentality. Molina, the homosexual prisoner, is allowed to telephone his mother and does so with a song called "Mama, It's Me".

The question I kept finding myself asking was why. What does the musical treatment add to the story? The answer is worse than nothing; it detracts.

Spider Woman is a pastiche of the work of Sir Andrew Lloyd Webber and Stephen Sondheim. It does not come off because it lacks a reason for existence.

I also thought longingly of a couple of plays. If you want to see homosexuality movingly portrayed on stage, remember Tony Kushner's *Angels in America* at the National Theatre.

And if you want to explore brutality in Latin America, recall the treatment in Ariel Dorfman's *Death and the Maiden*. Throughout *Spider Woman* the latter scarcely left my mind. Dorfman's piece is a low budget play which speaks volumes. *Spider Woman* must have cost millions to ruin a story.

Alastair Muir

Chita Rivera

The one redeeming feature is Brent Carver as Molina. He acts, shows genuine pain and genuine pleasure. He would be perfectly at home in *Angels in America*. Here he is locked into a production unworthy of his talent.

The prison and the rest of the sets are designed by *Jerome Sirlin*.

Shaftesbury Theatre. (071) 379 5399

Theatre/Alastair Macaulay

Congreve's witty play about the ways of wit

A witty play is a gem, but a witty play about the ways wit works within the world is something far more luminous. Like Shakespeare, Molière and Wilde – and like Jane Austen – Congreve could not only relish wit but criticise it too. In *The Way of the World*, he shows some characters who have wit without sincerity, others who have sincerity without wit, and, in Millamant and Mirabell, two who have wit and sincerity perfectly fused. They are as ideally destined for each other as Beatrice and Benedick, or Lizzie and Darcy.

One of the many pleasures of Peter Gill's new staging of this classic for the Lyric, Hammersmith, is that he sets Millamant and Mirabell so perfectly in relief. All around them are people who are funny without meaning to be (Lady Wishfort, Sir Wilfull Witwoud), or people who try so hard to be funny that they are themselves ridiculous (Witwoud, Petulant), or people whose lives have rendered them serious (Mrs Fainall). But, to Millamant and Mirabell, wit is as natural as breathing. And so is sincerity. Amidst a little world brimful of plots, they scheme without malice. Against a parade of modishness, they are fashionable without affectation.

They are critical of their world – and of each other. There are moments when their attraction seems as hopeless as that of Molière's Misanthrope and his Célimène. As Millamant rejects him, she laughs and says "What would you give that you could help loving me?"; and he replies "I would give something that you did not know I could not help it." With Jeremy Northam, the line is as gravely moving as in Gielgud's famous recording of the scene. In voice and stance, in every passing inflection, he has easy authority. Barbara Flynn is equally natural in the even harder role of Mirabell. She is constantly – enchantingly – capricious, yet without a scrap of artifice.

Everything that Sheila Hancock does as Lady Wishfort is amusingly perfect. She looks like a wolfhound masquerading as a French poodle, her eyes blaze out eagerly above her rouged cheeks, and her body language mixes poiness and impulsiveness mixed in a brilliantly babbling stream. But, even as I chuckled, something in her pacing made me feel that she had applied everything from outside: disbelief was not suspended. As the fop Witwoud, however, Tom Hollander carries off all his enchantingly silly prattle with an amazing kind of innocence.

Eleanor David performs the sly Mrs Marwood with the perfect facade of mild decorum, only in passing hints revealing her secret malice and corruption. Though Jonathan Phillips paces about too busily as Fainall, he catches the cruel rage at this character's heart; and Emma Piper conveys the brave resignation and unspoken sadnesses of his wife. In a few economical shards, Tom Piper's sets summon up different scenes of 1700 scenes and make them beautiful.

The Way of the World is at the Lyric, Hammersmith, until 21 November.

★★★

In Monday's paper, our review of Carlo Bergonzi's farewell recital was written by Alastair Macaulay, not David Murray. Our apologies.

Jazz/Garry Booth

The Brubeck beat falters

The knowledge that Dave Brubeck was probably defying medical opinion to appear at the Festival Hall earlier this week lent an unwelcome edge to his performance. The quartet is a favourite and well tested format for the pianist who almost single handedly commercialised jazz in the 1950s with "Take Five". He has a new album of old show tunes in the shops, *Once when I was very young*, (Verve 844298-2) and a four CD retrospective, *Time Signatures*, which reaches back to 1946, being made ready by Columbia.

It ought to have been the best possible time to be reminded of the 71 year old's tidily overlaid arrangements and almost perverse way with the beat. Instead, a fragile looking Brubeck, just out of hospital following heart trouble, put a brave face on it and reluctantly let his sidemen take the strain. Not that listening to the mature sound of long time collaborator Bill Smith's clarinet and the redoubtable bass of Jack Six, cracked along by Randy Jones's drums, is any great hardship. But it would have been interesting to discover whether Brubeck was still resisting the conventional swing thing and if he yet worked slowly and deliberately to his own compositional conclusions.

In the circumstances the quartet, done up to the nines in djs, were obliged to swing away from Brubeck with numbers old ("Shine on Harvest Moon"), unusual (an unrealised opera excerpt, "Softly William Softly") and the familiar ("Take Five"). Bill Smith, who has accompanied Brubeck on and off since the late 1940s, carried his faltering boss gracefully. A solo stint which used reverb on the clarinet gave his sound an almost underwater quality. Jack Six climbed energetically around the double bass and British drummer Randy Jones worked harder than he probably has in a long time.

Yet in spite of his obvious frailty (he had cancelled Glasgow earlier in the tour) and unease in accomplishing some of his ideas, Brubeck's curiously interlocking interplay with the clarinet rose to the surface intermittently. Later, with the appearance of cellist Matthew Brubeck, one of a large and talented brood, on leave from the San Francisco Symphony Orchestra, Brubeck demonstrated that his cautiously structured technique can and does tap feet, even in this temporarily careworn atmosphere.

The Dave Brubeck Quartet, Royal Festival Hall. Sponsor: Fiat Tipo

INTERNATIONAL ARTS GUIDE

■ ATHENS

Concert Hall English Bach Festival tonight gives the first of four performances of Purcell's Dido and Aeneas. Repeated tomorrow, Sat and Mon. On Tues, Jose van Dam sings the title role in a semi-staged performance of Der fliegende Holländer, at the start of a five-concert Wagner cycle (722 5511)

■ BOLOGNA

Cecilia Bartoli, accompanied by Myung-Whun Chung, gives a song recital tomorrow evening in the Teatro Communale. Sat and Sun: Christian Thielemann conducts Strauss' Metamorphosen and Alpine Symphony. Next Thurs and Fri: Sylvain Cambreling conducts works by Debussy and Fauré. Nov 9: Krystian Zimerman piano recital. Nov 18: Bavarian State Ballet (529999)

■ CLEVELAND

Severance Hall 20.00 Yoel Levi conducts the Cleveland Orchestra in works by Beethoven and Prokofiev, with violin soloist Frank Peter Zimmermann (repeated tomorrow and Sat). Nov 4 and 7: Christoph von Dohnanyi conducts Die Walküre (231 1111)

■ GENOA

Teatro Carlo Felice 20.30 Opening night of the season: Simon Boccanegra staged by Pier'Alli, conducted by Alain Lombard, with a cast including Renato Bruson and Ferruccio Furlanetto. Runs till Nov 8, next performances on Sun afternoon and Tues (589329)

■ GOTHENBURG

Konserthus 19.30 Niklas Willen conducts the Gothenburg Symphony Orchestra in Kokkonen's Cello Concerto (Martti Rousi) and Mozart's Symphony No 39, repeated tomorrow at 18.00. Next week's concerts, conducted by Neeme Järvi, are on Wed and Thurs (167000).

■ LONDON

THEATRE

● Le Baruffe Chiozotte: Giorgio Strehler's Piccolo Teatro di Milano production of Goldoni's play about the comic and poignant events after the fishermen of Choggia return home to their wives after six months at sea. Opens next Wed, daily till Nov 2. This is the first instalment of the Drama for the European Arts Festival, during which the National Theatre will host a number of visiting productions by major European companies. Nov 9-14: Zeffirelli production of Pirandello's Six Characters in Search of an Author (Lyttelton 071-928 2252).

● Assassins: British premiere of Stephen Sondheim's musical about the flipside of the American dream, in which misfits and malcontents achieve notoriety by murdering a president. Now in previews, opens next Thurs (Donmar Warehouse 071-867 1150).

● Making It Better: Jane Asher stars in James Saunders' new play about the relationship between a BBC World Service couple and the Czechs they meet during the 1989 Velvet Revolution (Criterion 071-839 4488).

● The Two Gentlemen of Verona: Shakespeare's lighthearted comedy about the thrill, pain and anguish of being young and in love. David Thacker's RSC production, newly transferred from Stratford, is set in the 1930s jazz age (Barbican 071-638 8891).

● It Runs in the Family: hilarious Ray Cooney farce about hospital larks (Playhouse 071-839 4401).

OPERA/DANCE

Covent Garden Tonight's performance is the first this season of Anthony Dowell's production of Swan Lake (also next Mon and Wed). Tomorrow, next Tues and Fri: Solti conducts Otello, with Domingo and te Kanawa. Sat: Porgy and Bess. Next Thurs: first performance this season of Kenneth MacMillan's Mayerling (071-240 1066)

Coliseum Tonight's performance is the last this season of La forza del destino, with Josephine Barstow. ENO's repertory over the next three weeks consists of Don Giovanni, Die Zauberflöte and Wozzeck (071-836 3161)

Sadler's Wells Glyndebourne Touring Opera winds up its London season with The Rake's Progress tonight and Sat, and Le nozze di Figaro tomorrow. Oct 27-31: Ballet Teatro Espanol (071-278 8916)

Queen Elizabeth Hall Tomorrow, Sat, Sun: Merce Cunningham Dance Company. Tues, Wed: Stephen Petronio Company (071 928 8800)

Jacob Street Studios Nicola LeFanu's Lorca opera Blood Wedding receives eight performances starting on Mon (071-497 9977)

CONCERTS

Royal Festival Hall Highlights of the next week include an RPO concert on Sun in which Vladmimir Ashkenazy conducts Bax and Shostakovich, an LPO concert on Mon in which Kyung-Wha Chung plays Bruch's Second Violin Concerto, a Young Musicians Symphony Orchestra concert on Tues, a Beethoven recital by Alfred Brendel next Thurs and a BBCSO concert next Sat in which Tabea Zimmermann plays Walton's Viola Concerto. Meredith Monk premieres a concert version of her ground-breaking opera Atlas next Fri in QE Hall. Nov 4: Maurizio Pollini (071-928 8800)

Barbican Sat: Jacques Loussier plays Bach. Sun: Richard Hickox conducts LSO and Chorus in Elgar's Caractacus. Next Thurs: Libor Pesek conducts LSO (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Nelly and Jaime Imgram give tonight's recital for two pianos. Tomorrow, Sat, Sun: Lara Symphony Orchestra of Venezuela plays works by Gershwin, Hindemith and Venezuelan composers. Next weekend's concerts are given by the Liège Philharmonic. Nov 6, 7, 8: Aldo Ceccato conducts Beethoven's Missa Solemnis (337 0100). Oct 29 and 30 at New Auditorium, Conde Duque: Orchestra of the Age of Enlightenment. Oct 31 in Madrid Cathedral: Berlin Symphony Orchestra (91-098)

Institut Francais Festival of Sephardic, Oriental and Arabigo-Andalusian Music runs from today till Oct 31 (91-098)

■ PRAGUE

CONCERTS

Forthcoming events at Smetana Hall include a piano recital by Leonid Brumberg on Sat, and a concert by Prague Symphony Orchestra Chamber Soloists on Sun featuring works by Bach, Kodaly and Respighi. Oct 31: Michel Plasson conducts Orchestre National du Capitole de Toulouse. Nov 6: Petr Altrichter conducts Smetana's Ma Vlast (232 2501). Emil Leichner conducts Czech Philharmonic Orchestra in works by Honegger, Martinu and Rakhmaninov next Thurs and Fri in Dvořák Hall (286 0111).

OPERA/THEATRE

● The National Theatre repertory includes a new production of La forza del destino, La bohème, Katya Kabanova, Dalibor and Hurnik's 1966 opera The Lady and the Robbers (205364). The Estates Theatre has a new production of Shakespeare's As You Like It opening tonight, plus Don Giovanni and Gluck's Orfeo (228658).

● A new production of Les Contes d'Hoffmann, opens at the Prague State Opera on Sun. The repertory also includes Minkus' ballet Don Quixote (tonight and tomorrow), Madama Butterfly and Ambroise Thomas' Mignon (269746).

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ ROTTERDAM

De Doelen 20.15 Jerzy Maksymiuk conducts Rotterdam Philharmonic Orchestra in works by Ravel, Szymanowski and Tchaikovsky (also tomorrow and Sun afternoon). Next Fri: Mahler's Das Lied von der Erde with Jessye Norman (413 2490)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Thursday October 22 1992

Mr Major goes for growth

ECONOMIC RECOVERY is not just around the corner. That fact, at least, appears finally to have been acknowledged by the government. But does Mr John Major's apparent late afternoon conversion to growth-oriented economic management represent a shift in policy or a presentational stunt before yesterday's parliamentary debate? And if policy is changing, will it change in a way which promotes sustained non-inflationary growth rather than yet another boom-bust cycle? The government has realised it needs a strategy. But it still has not got one.

Mr Major's shift in focus from the threat of inflation to the dangers of deflation was a well executed piece of political management. "Most people today," the prime minister said on Tuesday's TV news, "believe it is right to look at a strategy that will bring recovery, bring growth and put back in work those of our fellow citizens who are not in work." In a sentence, Mr Major encapsulated the national mood.

Yet his words, while strong on aspiration, were bare of detail. The Treasury spent yesterday explaining that policy has not, in fact, changed. The government remains committed to achieving low inflationary growth. The next interest rate cut will come "only when it is safe to do so".

Mr Major clearly has some additional ideas. He hinted on Tuesday at the need for increased capital spending on infrastructure, a ceiling on public sector wages in order to retain the impression of a tough public spending round and, most important, lower interest rates soon. Yesterday's stock market rally, the pound's slide, and an initial fall in interest rate futures, all suggest the markets are expecting interest rates to fall further.

Politically, Mr Major's change of emphasis makes sense. The prospect of returning to the subject of colliery closures in the new year and driving the Maastricht treaty through Parliament this year against a recessionary background is as dismal as could be. In any case, the economy needs lower interest rates: retail sales in September were flat while recent bleak news from the corporate sector and bad debts in the banking industry mean the squeeze will get worse before it gets better, regardless of any actions the government takes.

Yet large rate cuts now outside a credible and transparent institutional and policy framework, carry very great risks that the same inflationary errors will be made all over again.

Mr Major needs to do much more than merely acknowledge that the economy is in trouble. He must also accept that the Treasury policymaking establishment has failed and needs to be overhauled. For now, the Bank of England must be asked to provide a detailed and independent monthly economic analysis.

The Treasury could then be relieved of its monetary policy-making powers to concentrate on the equally important task of restoring order to fiscal policy. More capital spending is desirable. But overall, a looser monetary policy should be balanced by fiscal tightening.

In short, the government needs a crafted reform package rather than policy fragments delivered in TV soundbites. Britain needs policies which can deliver recovery now, while nurturing stable growth in the medium term. It does not need an ill-judged dash for growth followed by yet another damaging recession.

Phoning Europe

EUROPEAN businesses and consumers pay a heavy price for the continent's fragmented and cartelised telecommunications market. The heaviest burden is the excessive price of cross-border telephone calls, which are about three to six times as expensive as calls of the same distance within the unified and competitive US market.

It is therefore refreshing that the European Commission has in its sights the monopolistic practices that underpin these excessive prices. In a consultative document published yesterday, it argues that the market for cross-border calls within the Community should be opened up to competition.

Given the concern throughout Europe over the Commission's high-handedness on a range of matters in the past, it is clearly sensible to have a thorough public consultation before reaching a final decision. But the Commission is also right to give a firm lead that liberalisation should be the way forward. Telephone call charges are too high because most European countries have only one telephone company, while profits from international calls have traditionally been used to subsidise local calls.

The Commission paper sets out four options. The first – maintaining the status quo – is rejected because it would not address the problem. The second – regulating prices directly – is viewed as excessively interventionist. The remaining options are to liberalise only the market for cross-border calls or to open up the whole market.

Economically, the case for full-blooded liberalisation is compelling. Europe suffers not only from higher cross-border call charges than the US, but also from higher domestic tariffs and a less innovative market in the development of services.

However, politically, the Commission is wise to limit its action to cross-border liberalisation. If the principle of subsidiarity is to be taken seriously, as it must, there is a strong argument that member states should be left to decide for themselves how far to open up telecommunications within their borders. But, when it comes to crossing frontiers, it is clear that only the Commission has the competence to act. It should do so vigorously.

Aid matters

WHEN THINGS are going badly, householders kick the cat and chancellors the overseas aid budget. There is thus a depressing predictability about the leaks, which began last month, that the Treasury is looking for a 15 per cent cut (about £250m) in Britain's aid budget over the next three years. Since some 40 per cent of the total is already committed in foreign currencies through the European Development Fund and other multilateral agencies, and has therefore just been sharply increased as expressed in sterling, this would imply an even bigger cut in the bilateral aid programmes which are often the most imaginative.

The reaction has been equally predictable. Churches and charities have rushed to the defence of a budget whose inadequacy they are usually the first to point out. More significant, in the light of recent events, is the fact that 33 Tory MPs signed an advertisement opposing the cuts.

Certainly the proposed cuts would be hard to reconcile with earlier pledges of an increase, notably in the Conservative election manifesto and in the prime minister's speech to the Rio earth summit.

The position of Baroness Chalker, the overseas development minister, will be very unenviable if the cuts go through. And her colleagues defending the Maastricht treaty "line by line" in the House of Commons might suffer some embarrassment when they reach Article 130 U, dealing with co-operation and development policy. In that article the EC and its member states promise to respect the undertakings and objectives they have accepted in the UN framework: an allusion to the long-declared aim of industrialised countries to raise aid disbursements to 0.7 per cent of their annual gross national product. In reality, the UK has slipped from 0.51 per cent in 1979 to 0.28 per cent this year, and these cuts would take it lower still.

What is curious about this depressing argument is that all parties to it agree that aid flows are a mere drop in the ocean in their effect on long-term development compared with the damage done by tariff and non-tariff barriers to south-north trade. The overall cost of northern protectionism to third world exporters is estimated at about $100bn a year, without counting the damage done through unfair competition from subsidised northern food exports. Developing countries are constantly urged to earn their way out of debt and poverty through exports. Yet when they add value to their products before exporting them (for instance, by turning cocoa beans into powder) they run into a much higher tariff wall.

Particular culprits are the multi-fibre arrangement and the EC's common agricultural policy. Reforms in both are frequently promised, but those that would actually help third world imports are constantly postponed – the current excuse being the need to resolve north-north arguments in the Uruguay Round first.

If Britain could use its EC presidency to break this logjam, those concerned with third world development might forgive the small-minded cuts the government is thinking of making in its inadequate aid budget.

A review of Britain's energy policy must overcome past mistakes and economic constraints, writes **David Lascelles**

Search for a balance of power

Tumultuous events have forced the government to launch a review of UK energy policy only days after it tried to shut down half of the coal industry. But as Mr Michael Heseltine, the president of the Board of Trade, sets about his task he must already know that it is deeply unenviable. Few, if any, of the possible courses of action before him are free of pain, and none are without a heavy financial cost.

Set against the background of the UK's deeply depressed economy and the Treasury's tight constraints on public spending, whatever answers he does come up with will be heavily tinged by the short-term view. This augurs badly for an industry in which time scales are measured in decades. It is bound to go against the thrust of the government's own free market policies.

Not that Mr Heseltine has a shortage of options. As the most fuel-rich country in Europe, the UK has the flexibility to develop an energy balance from a wide range of sources: coal, gas, oil, nuclear, even – given the British Isles' long coastline – wind and tidal power.

But that is not the only balance to be struck. If reversing some of the pit closures means keeping open uneconomic mines, Mr Heseltine will also have to decide how the extra costs are to be paid for. Will they fall on the taxpayer, or the consumer of electricity? If the answer requires intervention from on high, how is that to be squared with the government's commitment to a free market? And how far can it tinker with one element of the tightly interlinked energy balance without upsetting all the others?

Mr Heseltine's difficulties have a long history. Some of them stem

As the most fuel-rich country in Europe, the UK has the flexibility to develop an energy balance from many sources

from past mistakes, such as the decision in the 1960s to develop a nuclear power industry using the wrong technology, or a tendency to build unnecessary power stations in order to meet a short-term expedient. But many of them also relate to the government's own attempts to create a competitive market, a process which still has some way to go and has accumulated its own errors.

Today, the UK has an energy market where only one fuel – oil – is relatively free. Gas is becoming freer since privatisation and is finding a new role as a power generation fuel, though the monopoly of British Gas remains a fact of life in much of the market.

Electricity, privatised two years ago, is a duopoly of generators plus a string of regional monopolies where the barriers to full competition will only be removed in stages up to 1998. Nuclear power receives more than £1bn a year in subsidies, but the government plans to review its future in 1994, and phase the subsidies out by 1998.

Coal also receives heavy subsidies, though in the form of artificially high prices from the electricity industry rather than state hand-outs. The government's original intention was to reduce coal to a commercially viable size next year so that it could start supplying coal at competitive prices and keep up the steady process of deregulation.

If that process is now to be slowed, it will have knock-on effects throughout the electricity industry, in nuclear power, and also in gas.

Mr Heseltine's real challenge is to find a way of enlarging coal's share of the market – or at least slowing its steady decline – in a way which causes the least damage to other sectors, particularly the electricity industry. But he will also want to keep alive the ultimate policy goal of a competitive market.

The main reason for coal's steady decline is its high cost – and to some extent its dirtiness. This means that coal's immediate future depends either on subsidy, or on driving out fuels which are even more expensive, or on inhibiting competition from cheaper sources of power. It also means compromises on the environmental front – which may be the easiest aspect to the problem given the low place which greenery holds on the political agenda in a recession.

The power industry is already buzzing with possibilities. A relatively easy step would be for Mr Heseltine to delay the next stage in the deregulation of the electricity industry.

At the moment, the market has two tiers: the "free" market for large customers using over 1MW of power a year where any supplier can compete, and the franchise market which is the monopoly of the regional distributors, and where most coal-based power is sold. In 1994, the threshold of the free market is due to be lowered to 100KW – effectively extending it from the country's 5,000 largest customers to the next 50,000.

By preserving the present structure Mr Heseltine would create more long-term certainty, and give the regional distributors a reason to commit themselves to buy more coal-based electricity. By one power industry estimate, he could raise coal demand by 8m tonnes a year, enough to keep eight pits open and save 8,000 of the 30,000 jobs at risk.

The beauty from Mr Heseltine's point of view is that the cost of this would be hidden in higher-than-necessary household electricity bills. But it would require him to intervene with Prof Stephen Littlechild, the electricity market regulator, and postpone the deregulatory process, something that could harm the electricity industry as well as the consumer.

"Competition has entered the market, and is here to stay," said Mr Ed Wallis, the chief executive of PowerGen yesterday. "We would rather have competition than direct regulatory direction."

A further possibility would be to accelerate the retirement of the UK's older nuclear reactors. Nuclear has grown rapidly to 20 per cent of the market and has the advantage of not producing emissions. But it is a loss-making industry, and for consistency's sake should be subjected to the same discipline as coal. Closing the old reactors would create space in the market for about 9m tonnes of coal a year at the cost of relatively few jobs. However the substantial decommissioning costs would have to be borne by the Treasury and would be less easy to hide. Again, it would mean interfering with the timetable and pre-empting the long-promised 1994 nuclear review.

Although many of the problems which are currently facing the coal industry have been blamed on the "dash for gas" by power generators, Mr Heseltine's ability to call a halt to this trend is limited. For one thing, the true competitive position of gas *vis-à-vis* coal is hard to ascertain because the crucial figures are closely held commercial secrets, and the case for halting it is far from proven. Short of revoking licences for new gas power stations, his only course of action is to intervene once again with Prof Littlechild to enforce the electricity companies' obligations to buy power at the best possible price. Even then, Prof Littlechild could not order the closure of the gas stations; he could only penalise companies for using them.

The outcome of all of this is bound to be a compromise which will save some miners' jobs at the cost of higher tax or electricity bills. But the exercise will not have been entirely futile if it brings greater clarity to some of the more fundamental issues which are involved in UK energy policy.

It is already clear, for example, that trying to create a free market in energy – one area where the UK is a world leader – is much less simple than the government thought when it embarked on the exercise in the late 1980s.

Mr Michael Grubb, an energy expert at the Royal Institute for International Affairs, said yesterday: "The whole debate shows that energy cannot be treated as an area where government has no role. It is too regulated, too strategic, too close to the national interest."

The two most unwelcome results of deregulation have been a surge in power station construction to the point where the UK could have 30 per cent more capacity than it needs, and a sharp rise in fuel imports. These both have a similar cause: the private sector managements were unhappy with the structure of the state-owned businesses which they inherited. They are now taking solutions into their own hands by importing cheaper fuels than the UK can produce itself, and developing their own power sources.

Is this the price of change, or should government take a stronger leading role? Mr Patrick Lane of Oxford Economic Research Associates believes that it is the inevitable result of "holding back the water" in the energy business. But these trends look worrying to many people and will strengthen the case for more central direction.

Among those pressing for a more active government role are two leading academic energy specialists, Nigel Lucas and Ian Fells, who called in a report yesterday for the creation of an Energy Commission to assign responsibility for planning electricity capacity and choosing fuels. They argue for an energy policy driven by wider considerations: for example, greater use of coal by power stations where the environmental effects can be localised, and saving gas for other uses.

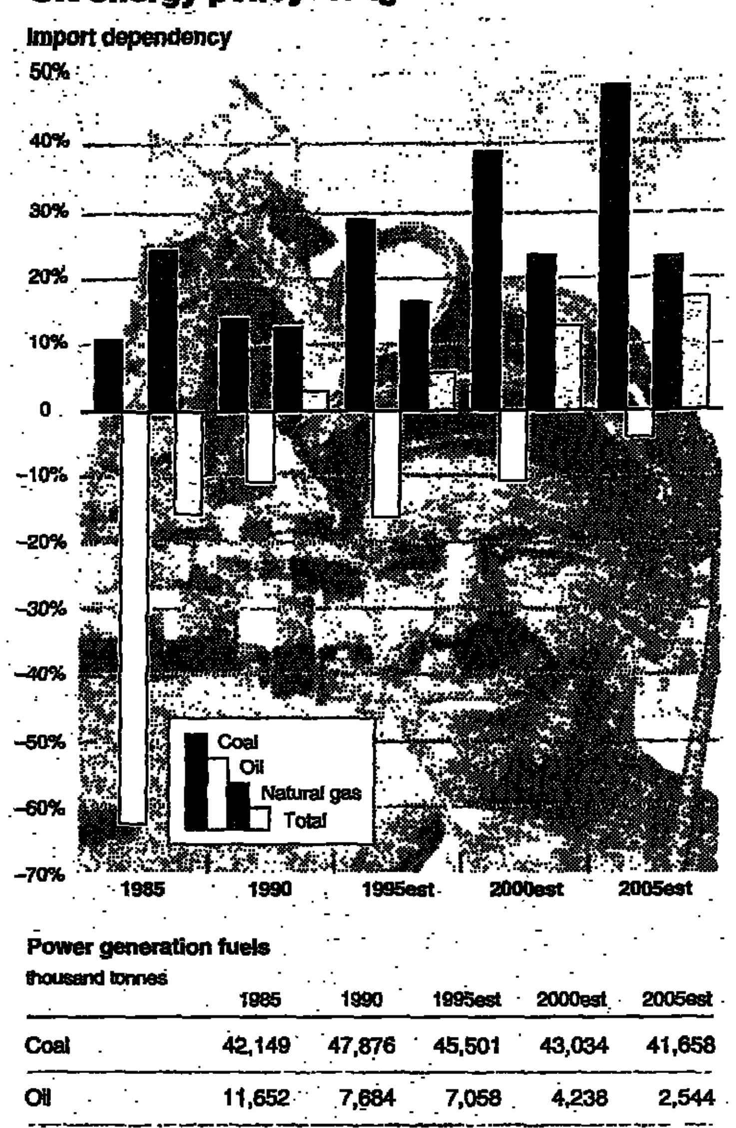
On the other hand, recent events have rekindled memories among older power industry hands of the damage done by earlier government interventions – the very events which gave Britain an inefficient power industry and provided the impetus to the privatisation drive. Indeed, Mr Heseltine's efforts to save miners' jobs may have wide public support, but they could well introduce fresh distortions into the energy market.

"The old employment-led energy policy is reasserting itself," says Mr Jonathan Stern, a specialist in the gas industry. "Keeping people in work is a worthy aim, but I thought that the whole ethos had changed."

Perhaps Mr Heseltine's strongest justification for trying to influence the energy balance would be if he could come up with a good long term case for coal. The national interest argument is certainly strong, and environmental objections can be eased with promises of major advances in clean coal technology. But the economic currents running in coal's favour are not strong, at least in Europe, because of cost and the emergence of more attractive alternatives.

"Coal is a declining fuel throughout the western world, and will continue to be so," says Mr Grubb. To challenge this view Mr Heseltine would have to abandon his own claim that the economic case against coal is "unanswerable", and that seems most unlikely.

UK energy policy: tough choices



Power generation fuels
thousand tonnes

	1985	1990	1995est	2000est	2005est
Coal	42,149	47,876	45,501	43,034	41,658
Oil	11,652	7,684	7,058	4,238	2,544
Gas	1,201	1,567	5,914	14,133	18,936
Renewable & other	0	436	424	605	885
Total	55,003	57,564	58,896	62,009	64,022

Source: EC Commission

BOOK REVIEW

Down with hierarchy

The Ultimate Advantage. Creating the High-Involvement Organization
By Edward E. Lawler III
Maxwell Macmillan £20.95

In the days before its industry was deregulated in 1980, America's Union Pacific Railroad was a byword for bureaucracy. It then slid rapidly into dire competitive and financial straits. New leadership took over in 1986, dedicated to that holy grail of modern management: keeping costs minimal, yet providing fast, high-quality service. It has since staged a remarkable six-year recovery, with the help of just one-third the number of management layers: three instead of nine.

Union Pacific is one of a growing band of American corporate practitioners of what is becoming known as "high involvement". This is the latest term coined to describe what is, in effect, the principle of "subsidiarity" as applied to business management: the pushing down, to the lowest possible level in an organisation, of knowledge, information, and responsibility for decisions and performance – together with performance-related rewards.

The coincidence of a shallow hierarchy and high involvement at Union Pacific is really no coincidence at all. For low-overhead, shallow organisations can only operate effectively if responsibility for many decisions is borne far more by the people most closely associated with their effects than has been traditional in most large American companies, that is, by middle-level and low-level employees.

That message has been promulgated with growing noise and effect in the past few years by many American academics and consultants. But many managements have still been left wondering precisely what steps they should take to turn concept into reality.

That is the main contribution of this addition to the literature, by a long-established specialist in psychology, organisational behaviour and pay who, as director of a California university's Center for Effective Organisations, has had a considerable impact on the structures and motivation systems of leading US companies, including Hewlett-Packard and Digital Equipment.

Edward Lawler took the title for his book from the idea, increasingly popular in the US and especially Japan, that traditional sources of competitive advantage – location, access to markets and availability of capital and technology – are unlikely to prove sufficient on their own because of their near-universal availability to global companies. Instead, management and organisational style, which because of their "softness" are much harder to emulate and implement effectively, may be "the ultimate advantage".

The book covers the gamut of organisational issues, from overall corporate structures to the design of work for individuals and teams, and from information systems to personnel and human resources practices. Among other things, it argues that high-involvement organisations operate best with pay that is based on skill rather than rank, and with performance-related approaches that emphasise teamwork and collective responsibility. Examples include Digital, Procter & Gamble, and Motorola.

Apart from its degree of practical detail, one of the strengths of Lawler's book is its readiness to confront directly the sort of questions that really worry most top managers about allowing their subordinates more knowledge, information, power and rewards. He claims that power is not a finite quantity – a fixed pie to be divided up – but that it can be expanded.

He also advocates the idea, familiar to observers of Japanese management, that top executives who involve others in decision-making enhance their own power by increasing the speed and effectiveness with which decisions are implemented.

To readers in northern Europe, used to the less autocratic style of the leaders of some local companies, Lawler may seem to be indulging in hyperbole at times – using a sledgehammer to crack an obviously hard American nut – when he advocates "high involvement". In parts of Europe, unlike the US (and France), consensus decision-making is by no means confined to the leading edge of companies.

Lawler's reply would be that it is all too easy to underestimate the sort of structural, attitudinal and process changes which an organisation needs to introduce if it wants really to harness the enterprise of all its employees.

Europeans may also feel that he overstates his argument that "high involvement" is competitive with the doctrine of Total Quality Management, which has probably gripped more western companies in recent years than any other management concept.

Although the total quality approach stresses employee involvement, Lawler claims this is limited "to allowing employees to make suggestions and control certain elements of the production and quality control processes". Thus an organisation using the total quality approach can often remain hierarchical, he says.

Yet this does not apply to several of the quality programmes which he cites himself at companies that have also embarked on high involvement, such as Motorola and Xerox. In principle, the two approaches are not incompatible.

Christopher Lorenz

ECONOMIC VIEWPOINT

Snake oil cures for depression

By Samuel Brittan

The early 1990s have seen the collapse of the greatest experiment in state direction in world history in the former Soviet Union, which now faces hyperinflation and possible collapse. They have also seen the disintegration of the much-vaunted Swedish "third way". At the same time western capitalism looks in bad shape. Alas, only China, which combines emergent capitalism with ruthless dictatorship, and openly models itself on Pinochet's Chile, seems to be experiencing satisfactory economic growth – not a model for those who believe that man does not live by bread alone.

For most of the western world, depression is a threat. In the UK it is already occurring. In terms of indices such as real GDP, the recession is no worse than that of the early 1980s. The difference is that the current recession has been going on for so long and threatens to become worse. It is also characterised by the number of companies which feel themselves vulnerable, which are on the verge of sacking more workers, axing projects or going into liquidation.

Until Black Wednesday the problem was that high domestic indebtedness was holding back spending at home, while export-led growth was inhibited by a sluggish world economy and a lack of competitiveness – not against the ERM, but against the falling US dollar.

There is a parallel between the world problem of developing-country indebtedness which burst 10 years ago and that of UK home owners with negative equity today. Just as the central bankers in 1982 organised first aid to enable overseas debt to be serviced and keep the banking system afloat, a similar scheme is needed for home borrowers today. The new Treasury authorisation for higher unsecured lending by building societies points in the right direction, but is inadequate and too late.

The depreciation of sterling – so far 14 per cent on the index – has not had its usual stimulatory impact because of the body blow Black Wednesday delivered to confidence. The same demoralisation has deprived the two 1 percentage point cuts in interest rates of their normal effects. The government's humiliation on coal has eroded confidence further and given fresh life to an untenable view of full employment, which demands employment at the same jobs and at the same or higher wages, irrespective of demand for the final product.

Most dispiriting of all, judging by the FT letters column, is the number of businessmen who expect economic leadership from government, as if the UK were a single concern managed by a Whitehall Gosplan. When will they take a lesson from their Italian counterparts and look for salvation at their own hands and be pleased if government is not too corrupt, feeble and arbitrary, as it is in most of the world most of the time?

The idea of the government "going for growth" is the oldest piece of claptrap in the business. No wonder John Major announced it out of the corner of his mouth to the lobby, nine days after his chancellor had said that he could not "kick-start" the economy. Does one have to say yet again that governments can spend – which on some rare occasions can be helpful – but that lasting growth comes from the efforts of individuals and businesses responding to market demand and technological opportunity?

Of course official policy has a role. Jonathan Wilmot of Credit Suisse First Boston asks in his latest jeremiad: why are central bankers, governments, the IMF, and many others still fighting the 1970s battle against inflation and budget deficits when the real enemy is depression? One answer he suggests is that too many people have been crying "wolf" for too long. He mentions the late 1970s, the 1982 world recession and debt crisis, the Wall Street crash of 1987 and the Japanese stock market crash of 1991, all of which were widely expected to lead to depression. He could have gone back further.

The idea of the government "going for growth" is the oldest piece of claptrap in the business

The most dispiriting period I remember was in the early 1970s after the oil price had risen fivefold. The world was faced by the combined threat of depression and spiralling inflation; and in the UK the Heath government was forced out of office by a miners' dispute which makes the present one look like a storm in a teacup.

Fears of a world depression were indeed widespread much earlier. During the late 1950s and early 1960s, Harold Macmillan used to harangue his chancellors with tales of a new world slump, when they were struggling *with the problems of inflation* and overfull employment; and truth to tell, I then thought it radical and enlightened to be on his side against the fuddy-duddies.

There has never been a shortage of people, ranging from City greybeards to authors of paperback Marxist tracts, warning of coming economic collapse. They were frequently joined by hard-headed industrialists who wanted cheap money and plenty of it. During all this time we would have been better off concentrating on halting inflation, promoting competition, and improving supply performance.

Another reason for being sceptical of the prophets of doom is that they have been dominated by fears of a repeat of the 1930s Depression, when US real national income fell by a third in real terms and the value of world trade fell by two-thirds. There can be depressions, such as those of the 1870s in Europe and the 1890s in Britain, which are a good deal worse than the post-second world war recessions, but which stop short of anything seen in the 1930s.

Meanwhile, many of the financial talking classes cannot wait to see the end of what they regard as the right-wing policies of the 1980s such as deregulation, curbs on union power, marginal tax cuts, privatisation and a greater role for markets. Lifting their champagne glasses, and trying not to look in my direction, they declare that these ideas have had their day and that all who espouse them will be swept away. Meanwhile their expectations of Bill Clinton (not yet in the White House) are so inflated that no mortal can live up to them.

So may I put my head on the chopping block and say that the New Realism of the 1980s, some of which began in Britain under Lord Callaghan in the late 1970s and some of which was carried forward by Labour governments in New Zealand and Socialist governments in France, was a change for the better and likely to stand us in good stead during both recession and recovery.

All these policies will be more, rather than less, necessary if a demand stimulus is to be accompanied by growth rather than frittered away in higher pay and prices. One reason why the US New Deal ran into the sand and a full recovery not reached until the second world war was because President Roosevelt tried to boost pay, prices and union membership rather than just to maintain spending power.

The Bank frets too much about quick sterling falls, but not enough about long-term downward drift

Nor was there anything wrong with the switch in many countries in the 1980s towards a nominal framework for macroeconomic policy. This framework could have been explained without the monetary mysticism and the civil war between the domestic and exchange rate monetarists, which has only benefited the inflationists and the dirigistes.

A coherent nominal framework – *that is, a cash objective for total* spending in the economy – is a safeguard both against runaway inflation and depressed demand. We need public spending cuts, tax increases or a "tough budget" as much as we do a hole in the head.

I could accept nearly all Christopher Dow's New Deal-type suggestions (Letters, October 21) for public works, tax holidays, guarantees for private investment and so on, as long as it is made clear that these are expressed in money terms. If public and private-sector employers fritter away the proceeds in pay and price increases though, there will be no more to come; in that case, there ain't gonna be no growth. One of Macmillan's wiser warnings was against Britain being "a sea of inflation in a world of deflation". Although he was wildly premature about the latter, the dangers of Britain inflating all on its own remain.

However, the main danger of demand expansion being eroded by inflation comes from the prospect of a *sinking exchange rate*. This warning may seem to go against the experience of the 1930s when, after the UK went off gold, the Bank rate was pegged at 2 per cent and the UK achieved a world lead in recovery with an average growth rate of 4½ per cent a year.

Leave aside the awkward fact that the recession did not touch bottom until 1933. There were other important aspects. The 30 per cent depreciation of sterling did not trigger off inflation because world prices, and especially American ones, were falling rapidly. That kind of deflation is fortunately not now in prospect.

Even more important is that after a couple of years sterling rose again. The pound recovered against the dollar after Roosevelt took the US off gold; and against the franc when the Popular Front government did the same for the French currency in 1936.

So in the medium term there was no depreciation of sterling. Contrary to popular myth, the 1930s was not a period of free floating. After 1933 central banks co-operated successfully to "stabilise" the market. From 1936 onwards a tripartite agreement between the US, France and the UK operated, rather like an ERM without published bands.

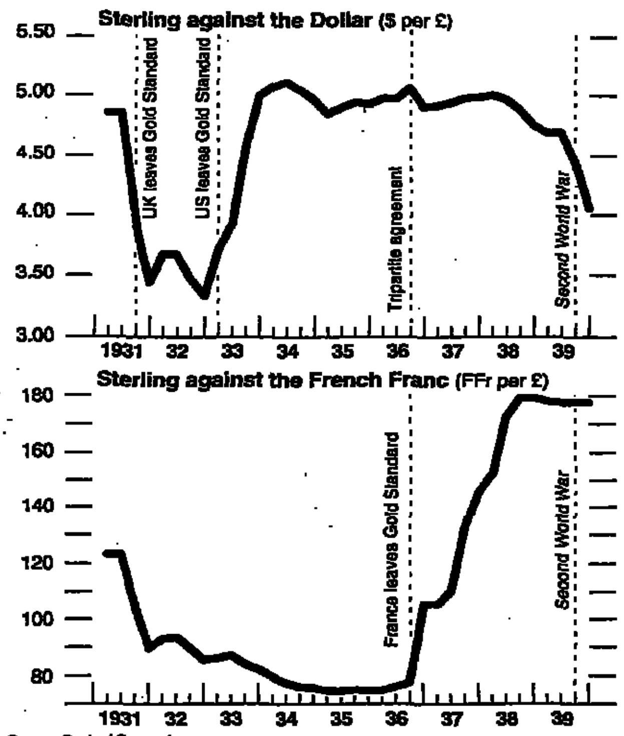
The present danger is not that interest rates are cut too quickly now – rarely does any authority do anything too quickly. The main fault of the Bank of England and Treasury in floating rate periods has been short-termism. They have been far too preoccupied with putting a brake on the speed of sterling's fall over a few weeks, but much too complacent about its downward drift over several years.

Thus I do not worry how low sterling will fall this winter but where it is going to be in two or three years' time. Simply being told by the Treasury that the inflationary implications of exchange rate movements *will be taken into account in setting* policy cuts no ice whatever. Nobody is going to believe a single word about good intentions for the future.

Nor is it sufficient just to call for a more independent Bank of England. We would be no better off if interest rate changes were henceforth announced "by the Bank of England with the approval of the Treasury" – a formula which was used in the earlier post-war decades.

I know no better constraints in current international circumstances than a statement that the government will return to the ERM as soon as circumstances permit. Even that would not carry high credibility, but would point in the right direction. If Tory *backbench sentiment does not permit* it then we just have to remember that it is not for nothing that John Stuart Mill called the Tories the stupid party.

Exchange rates in the 1930s



Source: Bank of England

FD Roosevelt
US President 1933-45

Neville Chamberlain
Chancellor 1931-37

Montagu Norman
Bank of England Governor
1920-44

Léon Blum
Prime minister of France
1936-37

Thaw after a long winter

Robert Thomson on Emperor Akihito's historic visit to China

Conscious of the weight of history bearing down on him, Japan's Emperor Akihito carefully delivers each of his pre-scripted public words, punctuating the sentences with uncomfortably long silences and filtering the emotion from a voice still ascribed supernatural qualities.

His tones will be more carefully measured than usual when he arrives in China tomorrow for the first visit by a Japanese emperor. The humble Akihito has made clear a sense of deep privilege that his reign should be chosen for this journey.

The emperor's most obvious task will be to deal with the relatively recent past, the invasion of China during the 1930s and 1940s, by delivering an unambiguous apology and, perhaps, clearing the way for an era in which the economic potential of the relationship will finally overcome the bitter memories.

Emperor Akihito: first visit

For the Communist party leaders who invited the emperor, the six-day visit has a less lofty, more immediate purpose. They are still in the process of convincing the Chinese people that the regime has the respect of the international community, and any foreign dignitary has been much appreciated since the Tiananmen crackdown of 1989. In these circumstances, a visit by the emperor is all the more welcome.

The Chinese government is also keen to attract Japanese investment, a controversial issue during the early 1980s when the revolutionary elders drew comparisons between Japanese joint ventures in northern China and the occupation of Manchuria in the 1930s, an occupation begun in the name of the then Emperor Hirohito, father of Akihito.

It is a sign of the changed times that six leading trading houses, including Mitsubishi Corp and Mitsui & Co yesterday announced a plan to build a $4bn petrochemical complex in the northern Chinese province of Liaoning. Japanese trading houses are also developing an industrial park in the northern city of Dalian, and a *Japanese trucking company* has announced plans for a transportation network in the north.

In the year of the Akihito visit, the 20th anniversary of the restoration of Sino-Japanese relations, China will become Japan's second-largest trading partner, behind the US, and up from fifth place a year ago. Japanese investment in China, which rose from $349m in 1990 to $579m last year, is likely to double this year, as manufacturers bruised by falling profits source more of their components in low-cost and increasingly reliable China.

The emperor is certain to laud this developing bilateral economic relationship. But the flow of funds and an apology from the emperor are not likely to appease a Chinese people raised on horrific tales of the "burn all, loot all, kill all" policies of the Japanese military during the second world war.

Detailing the brutality of that period has served the Communist party's interests *as it highlights* the "heroic" role of revolutionary-era soldiers, one of whom, Deng Xiaoping, is now an emperor himself in everything but name. In deference to the Japanese emperor, Beijing has barred protests by private groups seeking war compensation from Japan and taken much newspaper space to explain the new, non-political role of Akihito.

Japan's foreign ministry is also emphasising the "non-political" role of the emperor, as enshrined in the constitution, and arguing that the event is nothing more than a "goodwill visit". This interpretation is questioned by some sceptical members of the ruling Liberal Democratic party.

Evidence of the relationship's rich and complex history is shown in the varied opposition from left, right and middle-ground groups in Tokyo. There are complaints that the timing of the visit violates the emperor's "non-political" status and about the flattering of a discredited Chinese leadership.

Then there is concern that the exalted Japanese emperor is travelling to "pay tribute". Even at the height of Chinese influence over the past two millennia, during which Japan *imported* a written language and the essence of its spiritual and philosophic beliefs, no emperor crossed the sea to Beijing.

OBSERVER

Sir Nigel ups anchor

■ So what next for Sir Nigel Broackes? While kicking them upstairs might be the best way of dealing with interfering old age pensioners like Lord Forte, Broackes is still only 58. And at that age, a man who founded a £4bn-plus turnover company will scarcely be kept occupied by an honorary president's position.

There is a widespread view that Sir Nigel had taken his eye off the ball some time ago, and this helps explain the *company's current parlous* condition. Even so, the speed with which the company's founder has been dumped is rather unseemly. He gets to keep his office, secretary and car but not much else. Nor – unlike Lord Hanson as well as Forte – can he bask in the reflected glow of a company named after him.

While admitting that the events of the last few weeks have been traumatic, he is already busy planning. A fortnight on Monday he sets sail in his 155ft ketch, Mikado, for the West Indies. First port of call will be the Antigua Charter Agents Show. When one loses one's job, putting one's yacht out to charter has its advantages.

Beyond that, who knows? After all, the late oil tycoon Armand Hammer did not get involved with Occidental until he was 57. For the moment, however, it looks as though Sir Nigel is less interested in commerce than in broadly cultural matters.

Risky

■ Globe-trotting insurance broker Bob Naudi appears to be leaving a trail of disaster in his wake.

On October 12 he left Cairo hours before the city was devastated by an earthquake. At the end of last week Naudi, who is a managing director at Alexander Howden Reinsurance Brokers, was attending to clients in northern Colombia. *Within* hours of his departure, the area suffered two earthquakes.

Naudi, who speaks seven languages, is not expecting his normally warm welcome when he next goes abroad. But where is he going?

"We don't care as long as he doesn't stay here," says a nervous colleague.

Tip off

■ What about the waiters? A form of exploitation of workers by management probably unsuspected by the average restaurant-user has just come to light in the Cayman Islands.

A court there has fined one of the leading hotels $375 for using tips left for waiters to help in paying managers' salaries. The case was the first brought under a 1989 law to stop hotel bosses from creaming off a percentage of gratuities meant for underlings serving the public, including bartenders and maids.

Whether they'll now have their wages cut by a compensating amount can only remain to be seen. Meanwhile, in countries without such a law, anyone wishing to be sure tips go to their intended recipient should perhaps hand the waiter a cheque crossed "a/c payee only".

Moving house

■ The abrupt departure of Mike Whitehouse, 47-year-old operations director of the Halifax, is yet another sign that the top management of *Britain's biggest building* society is in a state of flux.

"There's an audition coming up for the pit closure review"

Whitehouse, who has been with the society for nearly 30 years, was one of the younger generation of Halifax executives in the running to take over from group chief executive Jim Birrell who steps down next August.

With Whitehouse off the scene, the internal front-runners to follow Birrell are finance director Graham Folwell and Derek Taylor, managing director of the estate agencies. Both are in their 50s. However, it looks likely that the Halifax is going to recruit Birrell's replacement from outside.

One name which keeps on recurring is that of Andrew Longhurst, the aggressive boss of the Cheltenham and Gloucester Building Society. He would make sure that the Halifax remains number one.

Bouncing back

■ No one can accuse the the Natural Law party of shirking the big tasks. In April's general election it signally failed to break the mould of British politics, gaining not one seat.

But it is fielding a candidate for the US presidency, John Hagelin, who has a PhD in nuclear physics from Harvard.

Moreover it has passed the hurdles necessary to get federal funding. The US Federal Election Commission voted unanimously on September 17 and again on October 15 to award the party – which bases itself on the teachings of the Maharishi Mahesh Yogi – "national party committee status".

The Natural Law party is on the ballot in 32 states and has at least 100 candidates running for federal and state office. But despite getting 235,000 signatures to get onto the ballot in California, the party submitted them two weeks after the deadline; the one state it might have done well in will now not have any candidates.

In memory

■ What does Tim Martin's newly floated group of 44 greater London pubs have in common with a failed teacher in the Antipodes? The answer is the group's title, J D Wetherspoon.

"It was the name of one of my primary teachers in New Zealand, who was the person I could least imagine ever owning a pub," explains the 37-year-old Martin, who yesterday announced a flotation price valuing his stake in the rapidly expanding chain at more than £10m.

"I liked the guy, but he was a hopeless student teacher. One of the inspectors came round, heard him teach us – and he was sacked."

Gone to earth?

■ Irish police were yesterday hunting three prisoners who escaped from prison in a stolen hearse.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Thorny VAT zero rate problem persists

From Mr Ben Patterson MEP.

Sir, The article in the Financial Times on the new EC VAT system ("Exporters pick up the pieces as barricades fall", Management, October 13) states that the introduction of the "origin" principle "would have probably meant that the UK would have had to drop its zero-rating of children's clothing and many foods". The point is repeated in the leading article ("VAT headache") of the same issue.

From an economic point of view, that would be completely unnecessary.

A VAT-registered purchaser of zero-rated goods from the UK would gain no more competitive advantage under an origin system than would already exist through the zero-rating of deliveries to another member state under the transitional system.

Indeed, most detailed studies (such as that carried out for the French senate in 1990) have concluded that differences in VAT rates, in general, can have little effect on competition in the case of the 95 per cent of cross-frontier transactions which take place between VAT-registered traders.

The problem of cross-frontier shopping by final consumers is another matter, but that problem would also exist already under the system applying from the end of this year.

The problem is a purely legal one, arising from Article 28 of the 6th VAT Directive.

That directive effectively allows the UK to retain the zero rate, but only until "the charging of tax on imports and the remission of tax on exports in trade between the member states are abolished". That is to say: until the coming of the origin system.

The solution to this conundrum is a simple one, and has actually been adopted by the European Parliament. Zero should be recognised as a proper VAT rate, and it should become the "floor" of the reduced-rate band.

That would have enabled the UK to retain the zero rate permanently, if it so wished. Unfortunately it was derogation, thus ensuring that the whole issue will come up again in 1996.

Ben Patterson,
vice chairman,
European Parliament
Economic Monetary and
Industrial Committee,
Strasbourg

Captive market reliance undermines British Coal

From Mr John Griffiths.

Sir, The misfortunes of British Coal can to a large extent be ascribed to the planning of British Coal's own management. It relied on the government and the CEGB to provide and protect a captive market *for it to continue to sell effec*tively unrefined coal for naked burning in power stations. Environmental protection was the least of its worries.

That is analogous to an oil company skipping the need for refineries and telling its customers to design engines to run on crude petroleum.

With electricity privatised and clean natural gas available, there is no defence for the traditional power station. Clean coal technology is essential for new stations as, though the government placed no obligation on the new generators to continue with British Coal, it insisted they reduce atmospheric pollution.

The generators chose the obvious solution: gas. However, even had UK coal been included, British Coal had placed all its development eggs for clean coal technology in one basket. It had cornered the market for government support and had barred the way.

Any technical merits of the British Coal "Topping Cycle" cannot counter the fact that it is unavailable.

More practical alternatives, of which British Coal was aware, are being implemented overseas. These projects include British technology from sources other than British Coal. When the inevitable return to coal takes place, the UK will once more be relying on imported experience to even stay in the race.

John Griffiths,
director technology,
Nykomb Synergetics,
34, Lower Belgrave St,
London SW1

Grey chill scars French fashion

From Ms Suzanne Jean-Baptiste.

Sir, Are we seeing the first signs of strain on the French design industry? In reference to "The colour is grey for Paris spring fashions: Economic chill takes the brightness out of French designers' big week" (October 14), I must agree, and add that the French design industry will survive the recession, but with scars.

The currency crisis, the depression of sales and bankruptcy of designers, are results to be expected from the recession. However, stiff competition from other luxury goods such as Dunhill and LVMH and the decision by Japanese designers to withdraw from the Paris fashion scene will not leave the French design industry unscathed. Such competition will benefit the consumer. There will be a larger market of goods at reasonably affordable prices, greater variety and better quality.

Suzanne Jean-Baptiste,
Newbold College,
Bracknell,
Berkshire RG12 5AN

Matchstick economics has merit

From Mr E E Aldridge.

Sir, Prof Michael D Stephens' implied criticism of Sir Alec Douglas-Home's mastery of economics (Letters, October 19) should not be allowed to pass unheeded. Sir Alec's autocratic manner obscured his point that economics might be understood using a matchstick model. Recent events suggest his approach has merit, if only to save money on computers. Economics, as a science, is only a tower of mathematical logic on foundations of sand. Economists, like others, are wise after events.

E E Aldridge,
240 Wokingham Road,
Reading,
Berkshire RG6 1JS

FINANCIAL TIMES
Thursday October 22 1992

Hong Kong governor Chris Patten meets Lu Ping, China's director of affairs for the colony

Patten sets deadline for Hong Kong proposals

By Simon Holberton in Beijing

MR CHRIS PATTEN, Hong Kong's governor, yesterday gave China until the end of the year to accept his proposals for the UK colony's political development or present alternatives that the colony's people would find acceptable.

Speaking after more than six hours of discussions with Lu Ping, director of the Chinese cabinet's office of Hong Kong and Macao affairs, Mr Patten said: "I cannot say we reached a meeting of minds on what I put forward."

He also indicated to the press that they had achieved little progress in resolving the deadlock over the financing of Hong Kong's multi-billion-dollar airport project. Mr Patten said they *had agreed the best forum for* settlement was the Airport Committee of the Anglo-Chinese Joint Liaison Group – where talks have been deadlocked for months.

This is Mr Patten's first visit to China as governor of Hong Kong. He returns to the colony tomorrow after discussions with Chinese trade officials today.

It emerged last night that Li Peng, China's prime minister, had refused to see him. Instead he will meet Qian Qichen, China's foreign minister.

On October 7, Mr Patten presented plans for the conduct of the colony's 1994 local and 1995 legislative council elections which provide for much greater democracy than has previously been the case in Hong Kong.

In considering alternatives to these plans, the governor said he was guided by three principles; they should be "fair", "open and honest" and "acceptable to the people of Hong Kong".

Mr Patten said he was prepared to meet Lu "at any time and in any place" but he reminded the *Chinese that they had only until* the end of the year to reach agreement.

He said the timetable demanded that bills be put before the legislative council, the colony's unicameral legislature, early in the new year to give effect to the planned changes for those elections in 1994 and1995.

Although Mr Patten did not say so yesterday, he has suggested in the past that he would be prepared to introduce his proposals for a slightly faster pace of democratic development in Hong Kong without China's approval.

He went out of his way, however, to praise Lu – the man who has day-to-day responsibility for ensuring a smooth transfer of sovereignty over Hong Kong in 1997 and the man with whom he wants to have a constructive relationship. He lauded the manner in which Lu put forward the Chinese position but was less than pleased with what he had to say.

Mr Patten would give only few details of Lu's response to his proposals. He said that Lu *pointed out the existence of the* Basic Law – the Beijing-drafted constitution for Hong Kong post-1997 which lays down the colony's constitutional structure. This has become Chinese code for "no change".

Thaw after long winter, Page 15

Brussels calls for cheaper cross-border telephone calls

By Andrew Hill in Brussels

THE European Commission called *yesterday for greater competition* to cut the price of cross-border telephone calls in the European Community, but said it would have to consult industry and consumers further before introducing legislation.

Immediate full liberalisation of international and national calls has not been ruled out – it is one of four options listed in the Commission's long-awaited review of the telecoms sector – but Brussels said it favoured a "gradual approach". Consultation could take several months.

European consumer groups, which *favour liberalisation* with safeguards for users, welcomed the review paper, but said they wondered whether the present Commission was "running out of steam" as it ended its four-year term.

Brussels has already taken firm action to liberalise more specialised telecoms services, but the voice telephony market is much more politically sensitive.

Sir Leon Brittan, EC competition commissioner, yesterday denied that the Commission was shy of opening the market completely: "We are not dragging our feet, we are hoping to have a quick consultation on the options which have been identified, having clearly given our preference."

If the Commission and member states adopt the intermediate option, EC companies could buy access to other member states' telecoms networks and provide cross-border services. The Commission would also hope to eliminate illogical differences between the cost of cross-border calls: calling from Spain to Denmark, for example, costs twice as much as calling from Denmark to Spain.

Mr Filippo Maria Pandolfi, EC telecommunications commissioner, said yesterday that cross-border calls within the EC accounted for about 4 or 5 per cent of the overall EC telecoms market. All voice telephony – including international and *domestic calls – represents 80 to* 90 per cent of the total.

Sir Leon said that if member states or industry came up with "detailed plans" for full liberalisation during the consultation process they would "have to be considered very seriously indeed". Monopoly telecoms companies in most member states, however, favour a gradual process.

The four options to be discussed in consultation with industry and consumers are: freezing liberalisation, a route which Sir Leon said yesterday was "not attractive"; extensive regulation of tariffs and investments, which would probably be regarded as too interventionist; full liberalisation; and the favoured option of liberalising cross-border calls.

Editorial Comment, Page 18

Russian parliament rejects call by Yeltsin

By John Lloyd and Dmitri Volkov in Moscow

TENSION between reformists and hardliners brought upheavals in the Russian parliament yesterday, as evidence grew of an approaching showdown between the antagonistic groups.

The parliament yesterday heavily rejected, by 114 votes to 59, a request made last week by President Boris Yeltsin to postpone the session of the Congress of Peoples' Deputies, set for December 1, until the spring.

Mr Yeltsin wanted to avoid a clash between the more than 1,000-strong legislative body, heavily dominated by Communists and nationalists, and the reformist government – whose programme is now deeply unpopular. The rejection makes a clash apparently inevitable, with the likelihood now that the government will be voted out. Mr Sergei Kovalyev, a pro-government deputy, said after the vote that the government's resignation was *now "almost inevitable"*.

The parliament also called before it government ministers and senior officials – including Mr Anatoly Chubais, a deputy prime minister, Mr Andrei Kozyrev, the foreign minister, and Mr Gennady Burbulis, the senior presidential aide – who had briefed foreign correspondents last Friday on the threat of a reactionary coup against the president. They had also warned of the formation of armed gangs by hardline forces including Mr Ruslan Khasbulatov, the parliamentary speaker and a bitter critic of the government.

None of the ministers and officials appeared, but a statement from Mr Kozyrev was read to the deputies in which he said that "we warned the journalists, and we are warning now about an attempt at revanchism [reaction] on the part of some members of parliament". The angry deputies then voted to create a 13-member *commission, dominated by hard*liners, to investigate the ministers' actions and recommend what action should be taken against them.

Later in the day, Mr Khasbulatov summoned a press conference to allege that he was under constant surveillance, that his life was threatened and that the government was becoming "total*itarian". He was later led from* parliament, looking pale, by Mr Yuri Yarov, one of his deputies.

In an intervention in parliament Ms Bela Denisenko, the assistant health minister, said she had seen Mr Khasbulatov after his exit and had told him that "in my opinion, according to external evidence, you are in a state of narcotic or alcoholic *intoxication*" – to which he had responded, she said, with "ungentlemanly behaviour".

Mr Vladimir Isakov, leader of the nationalist Russian Unity group, then accused Mr Yeltsin of public drunkenness during the Tashkent summit of the Commonwealth of Independent States in May – a charge he had made at the time, and which had then been denied by Mr Yeltsin.

The confused events received a further twist when it was learnt that a gunfight had taken place between parliamentary guards and members of the Moscow militia on Tuesday, during which one guard was shot dead. The guards are a force numbering almost 5,000, created by parliamentary decree after the August coup last year, ultimately responsible to Mr Khasbulatov, and used to protect a number of government buildings in Moscow.

THE LEX COLUMN

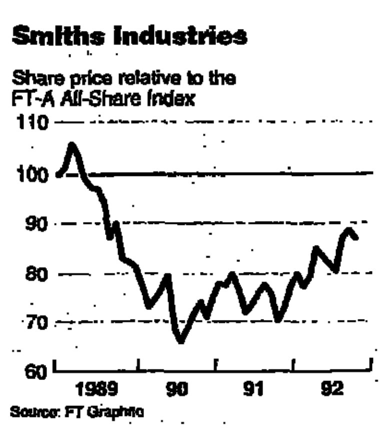
Major's rocky road

The prime minister's desire to encourage greater private sector financing of UK infrastructure projects provides an intriguing twist to the new economic agenda. Combined with the prospect of still lower interest rates by Christmas, the idea yesterday *helped* put new life into the beleaguered building sectors.

The appeal for investors lies in the potential boost to demand at a time when public spending on roads – notwithstanding Mr Major's vague promises – is in danger of being pruned to restrain the PSBR. It would be unwise, though, to get carried away. There is certainly a case for further relaxing the so-called Ryrie rules, which have effectively allowed Whitehall to exclude private sector participation on a simple cost of capital argument. By taking into account other factors, such as risks associated with other construction costs and future revenue streams, projects such as the Dartford crossing and the Birmingham north relief road have already been put into private hands. The trouble is that the treasury remains a deeply reluctant convert. Suspicion that private operators will milk the public purse remains ingrained – as demonstrated by the unexciting returns Trafalgar House is allowed on the Dartford crossing *and by refusal to proceed* with the Channel tunnel rail link.

Even if the government loosens up its act, one wonders if the UK's financially stretched contractors can respond. The banks already have a greater balance sheet exposure than they care to admit. And there is likely to be a lengthy lead time while routes are planned and environmental issues resolved. Investors should not forget that 70 per cent of construction output is still dependent on private housing and commercial property.

FT-SE Index: 2645.7 (+28.7)



UK economy

Given the balance of payments constraint, it would be foolish for Mr Major to expect consumers to lead the UK economy out of recession. Confidence among industrialists and exporters is probably now much more important. The one is unlikely to exist without the other, though, which is why the retail sales figures for September seem initially so encouraging. Yet, looked at over the past year as a whole, the improvement – growth of 0.8 per cent – is pretty marginal.

The September figures coincide with a period of unusually heavy discounting. They also come in the immediate aftermath of the temporary rise in housing market turnover prompted by the stamp duty exemption. Anecdotal evidence suggests consumer confidence slipped again after Black Wednesday when the full extent of the government's helplessness *was* revealed and a succession of large-scale lay-offs were announced.

There is no particular reason why confidence should recover quickly, despite the apparent reordering of the prime minister's priorities. Lower interest rates alone will not compensate for job insecurity and the realisation that, come what may, personal incomes are unlikely to rise much over the next few years. Both are compelling reasons for consumers to avoid assuming more debt. Lower rates will improve the cash-flow of households with mortgages. With the savings rate already high, some of that money may find its way into the shops. But there is unlikely to be a rush, especially now that real wage growth is ebbing away. Retailers earlier waited in vain for higher real wages to cure consumers of their debt aversion. They would be unwise to place too much faith in lower interest rates succeeding where that solution failed.

Smiths Industries

Being the star performer in the aerospace sector is a mixed blessing these days, as yesterday's full-year results from Smiths Industries showed. Smiths has effective management, a focused strategy, generates cash and has a strong balance sheet. It also has a market capitalisation twice that of British Aerospace. Unfortunately, production of the Boeing 737, which provides Smiths' civil bread and butter, could halve by 1994-95. The European Fighter Aircraft project is in doubt, and US defence spending will continue to fall. Smiths' earnings have been virtually flat for five years, and will remain so *for at least another two.*

Using its cash pile to expand into medical operations is the company's chosen way out of the box, but there is a snag. Healthcare companies sell on fancy earnings multiples. Smiths recently paid 20 times earnings for the anaesthetics company Infotech. With Smiths rated at only 13 times earnings, the company will have to work hard to prevent such acquisitions *diluting earnings. Even then, the med*ical division will only patch up part of the hole blown in aerospace earnings.

A strategy of funding expansion from internally-generated cash deserves more support than companies who use paper and acquisition accounting liberally. But with the market starting to focus on growth, Smiths' management must wish they did not have to start from here.

Wilkinson Sword

The decision to put Wilkinson Sword on the market looks like a forced sale. Gillette is under pressure from competition authorities in the UK and Germany to dispose of its non-voting stake. In March, the UK government gave Gillette six months to get out. Several other shareholders – Skandia, Den Danske and Trygg Hansa among them – could certainly use the cash. Wilkinson is by no means the only industrial asset bought by Scandinavian financial institutions in the late 1980s and now up for sale. That said, the company will be better off with an owner willing to inject fresh capital. The latest product range has already run into capacity constraints, resulting in a postponed launch in some markets. Investment in new capacity and heavy promotional expenditure will be required to claw back market share from Gillette. This was clearly beyond the means of the existing backers.

So it is no surprise that an asking price of around $300m, a multiple of nine times last year's earnings, looks cheap. Even allowing for the need for capital investment, Wilkinson is a strong international brand in a recession-resistent sector. Potential buyers might do well, though, to brace themselves for a struggle to keep up with Gillette which has over 60 per cent of the UK and German markets.

Mafia linked to murdered Italian MP

By Robert Graham in Rome

MAGISTRATES in Palermo, Sicily's main city, have for the first time directly linked a senior Italian politician with Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

This follows a six-month investigation into the killing of Mr Salvatore Lima, the Euro-MP, who was a former mayor of Palermo and the most powerful Christian Democratic political figure in Sicily. The magistrates announced yesterday the issue of 24 arrest warrants and said the murder of Mr Lima in March was *a result of his involvement with* Cosa Nostra.

This is likely to be a deep embarrassment to the Christian Democrat party and those of his colleagues like Mr Giulio Andreotti, the former prime minister, who have publicly defended his reputation in the wake of his murder.

The magistrates, relying on information mainly supplied by "super-grasses", claimed the killing was ordered by a number of Cosa Nostra families because Mr Lima had promised to use his *political influence to good effect* – but failed. It is widely believed that Mr Lima had undertaken to ensure that harsh sentences handed out to Mafia bosses in the trials of the mid-1980s would be quashed on appeal. The sentences were confirmed a month before Mr Lima's murder.

The great missing element in the mass trials – and on which "super-grass" testimony was not forthcoming – concerned the political links of the Mafia. Such links have been widely suspected, but they have never been proved *beyond vote-buying and collusion* over contracts.

Mr Lima, a parliamentary deputy from 1968 to 1979, had long been suspected of Mafia connections and his name appeared frequently in the parliamentary anti-Mafia commission records. Palermo magistrates suggested yesterday he had occupied a key position in the shadowy world linking organised crime with the political parties and state institutions.

World Weather

		°C	°F
Ajaccio	F	–	–
Algiers	F	24	75
Amsterdam	R	7	46
Athens	S	25	77
Bahrain	F	28	82
Bangkok	F	32	90
Barcelona	S	17	63
Beijing	C	14	57
Beirut	S	25	77
Belfast	F	8	46
Belgrade	F	19	66
Berlin	F	12	54
Biarritz	C	11	52
Bombay	S	32	90
Bordeaux	f	10	50
Boulogne	S	10	50
Brussels	C	7	45
Budapest	C	8	46
Buenos Aires	F	20	68
Cairo	S	28	82
Cape Town	F	19	66
Caracas		–	–
Casablanca †		–	–
Chicago †	C	5	41
Cologne	C	7	45
Copenhagen	C	7	45
Corfu	S	25	77
Dallas †	S	18	64
Dublin	R	7	45
Dubrovnik		–	–
Edinburgh	C	10	50
Faro	F	17	63
Florence	R	15	59
Frankfurt	C	9	48
Geneva	R	7	45
Gibraltar	F	19	66
Glasgow	R	9	48
Helsinki	F	3	37
Hong Kong	S	27	81
Innsbruck	R	7	45
Inverness	R	9	48
Islamabad	F	27	81
Istanbul	S	19	66
Jakarta	R	31	88
Johannesburg	S	29	84
Lisbon	F	14	57
London	S	9	48
Los Angeles †	C	18	64
Luxembourg	R	4	39
Madeira	F	19	66
Madrid	F	12	54
Majorca	S	19	66
Malaga	F	19	66
Malta	S	29	84
Manila	C	31	88
Melbourne	F	13	55
Mexico City	R	20	68
Miami †	F	25	77
Milan	F	9	48
Montreal †	R	4	39
Moscow	F	5	41
Munich	R	8	46
Nairobi	S	26	79
Naples	F	24	75
Nassau	C	28	82
New Delhi	S	29	84
New York †	C	11	52
Nice	F	18	64
Nicosia	S	25	77
Oporto	S	12	54
Oslo	F	-2	28
Paris	C	9	48
Prague	F	10	50
Reykjavik	C	4	39
Rhodes	S	26	79
Rio d'Janeiro	C	30	86
Rome	F	22	72
Salzburg	R	7	45
S'Francisco †	C	16	61
Seoul	S	19	66
Singapore	F	31	88
Stockholm	F	6	43
Strasbourg	F	10	50
Sydney	C	13	55
Taipei	F	25	77
Tangier	C	17	63
Tel Aviv	F	25	77
Tenerife	F	25	77
Tokyo	C	19	66
Toronto †	C	3	37
Tunis	S	29	84
Valencia	F	18	64
Venice	Dr	11	52
Vienna	C	7	45
Warsaw	F	10	50
Washington †	S	9	48
Zurich	R	7	45

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

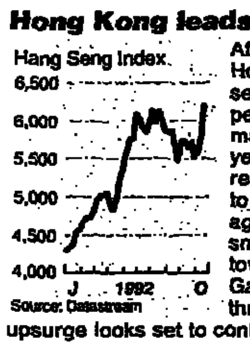
Grim reading to come from chemical group

Imperial Chemical Industries, Britain's biggest manufacturer, reports its third-quarter results next Thursday. They will make grim reading. Analysts, *who had underestimated* the duration and severity of the slow-down in the *world economy, have cut estimates for full-*year pre-tax profits. **Page 24**

Bank Austria makes its mark

Within a year, Bank Austria has sacked three top executives, driven up domestic interest rates for loans and mounted a boardroom challenge to an aspiring competitor. **Page 19**

Hong Kong leads the world



After a summer lull, Hong Kong has reasserted itself as the best-performing big stock market in the world this *year. Investors have* reacted with enthusiasm to a Sino-US trade *agreement which has* smoothed China's path towards membership of Gatt, ensuring trade through Hong Kong. The upsurge looks set to continue. **Back Page**

Minorco in Chile deal

Minorco, the Luxembourg-based resources associate of South African mining group Anglo American, has agreed to buy one-third of a Chilean copper project from a subsidiary of Chevron, the US oil group. **Page 19**

Creaming off the profit

The New Zealand dairy industry is seeing a sharp rise in the price of both dairy cattle and farms. This is due to a rise in the price farmers are to get for milk. The average farmer expects to see his income rise by NZ$25,000 (US$13,500) this year, and earnings this season may be almost double the 1988 figure. **Page 26**

GM denies rumours

General Motors, the US carmaker, yesterday found another problem added to its list of woes – rumours that its non-executive directors are pressing for Mr Robert Stempel, the chairman, to step down. The company has strongly denied the reports. **Page 20**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko Prf	410	+	45	Lafarge Coppee	296	+	13
Colonia Konz Pf	440	+	20	Saflmeg	405	+	15
Lahmeyer	552	+	17	**Falls**			
Falls				Bancaire Cie	362	–	13
Didier-Werke	100.5	–	7.7	Coparex Int	585	–	30
Porsche	465	–	20	Intertechnique	405	–	18
PWA	150	–	10	Suez (Cie de)	222.4	–	8.5

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Ford	38⅝	+	½	Iwatsu Electric	319	+	19
Gen Motors	30⅞	+	1	Nikko Secur's	680	+	40
MCI Comms	35⅞	+	¾	Taiyo Kaiun	180	+	15
Falls				**Falls**			
Conner Periphls	18¾	–	2¼	Clarion	456	–	44
Schlumberger	68	–	2	Gakken	670	–	44
United Techs	45½	–	1½	Minolta Camera	318	–	27

New York prices at 4 pm.

LONDON (Pence)							
Rises				Pearson	382	+	18
AMEC	75	+	11	Phoenix Timber	25	+	4
Argos	258	+	18	RMC	448	+	44
Barratt Dev	73	+	9	Ramco Oil	81	+	10
Cosalt	129	+	11	Royal Insce	209	+	18
First Nat Fin	30	+	6	Smiths Inds	329	+	21
Glynwed	226	+	19	Taylor Woodrow	59	+	7
Gt Portland	115	+	17	Wimpey (G)	106	+	11
Greycoat	17	+	2½	**Falls**			
Hammerson A	218	+	26	BAA	731	–	22
LASMO	188	+	12	Lloyds Bank	424	–	10
MEPC	308	+	28	Wensum	35	–	3
NSM	39	+	5				
NatWest Bank	361	+	12				

Industry increases its estimate of claims arising from hurricane Andrew

US insurers face $10bn storm bill

By Nikki Tait in New York

THE US insurance industry expects to pay out $10.2bn in claims to victims of hurricane Andrew, the storm system which ripped through southern Florida and Louisiana in late August.

The new estimate was released yesterday by the property claims services (PCS) division of the American Insurance Service Group, an industry trade association.

The latest figure is substantially higher than the original assessment in early September of $7.8bn. The PCS suggested the rise in the estimated cost of the disaster was partly due to heavy rains in the area, which prevented temporary repair work and compounded the damage caused by the hurricane.

It also said construction costs in the region had risen significantly after the hurricane.

Hurricane Andrew is set to become the most costly catastrophe which the US property-casualty insurance sector has faced. Hurricane Hugo, which hit the east coast in September 1989, cost insurers $4.2bn; the Oakland fire disaster in California last year led to claims of around $1.2bn. By contrast, the Los Angeles riots earlier this year – the most expensive civil disturbance – cost $775m.

Wall Street analysts suggest the scale of the hurricane Andrew losses could prompt a "turn" in the US property-casualty industry cycle – allowing insurance companies to raise their rates and move them closer to making underwriting profits.

The revised estimate for the losses seems likely to support this view.

Some of the biggest insurers have been increasing predictions of their own losses from the disaster. For example, State Farm, the large Illinois-based insurer and the biggest provider of home insurance in Florida, said last week it expected claims payments to reach $2.1bn, compared with an initial estimate of $1.5bn.

One reason for believing that the insurance cycle should turn in the wake of the hurricane Andrew losses is that P-C insurers are believed to be carrying lower levels of catastrophe reinsurance than a few years ago. Analysts suggest that perhaps between 20 per cent and 30 per cent of the bill may be passed on to reinsurers, rather than the traditional 30 per cent to 40 per cent.

Yesterday, the PCS said it expected at least 610,000 claims would be filed in Florida – with more than 500,000 having already been reported – and another 167,000 in Louisiana.

Facing up to the costs of a close shave

Wilkinson Sword's new razor needs investment, writes Guy de Jonquières

The name Wilkinson Sword *still conjures up images of* the proud British military tradition out of which the business was born 220 years ago. *But* much of the company's recent history has been less than glorious, while it has also grown steadily more remote from its British roots.

Yesterday's announcement that Eemland, Wilkinson's Dutch-registered owner, is putting it up for sale marks one of many changes of ownership since 1980, when it was acquired by Allegheny International, a US conglomerate.

Long respected as an innovator in the shaving market, Wilkinson repeatedly failed to capitalise on its commercial achievements and has never fully recovered from a loss of market share to the disposable razors introduced by Bic of France in 1977.

The AI acquisition was supposed to put the company back on track by providing capital for international expansion. *However, those hopes never materialised* and AI plunged heavily into loss in 1986. Wilkinson was sold that year to *Swedish Match*, which was itself acquired in 1988 by Stora Kopparberg, Sweden's leading pulp and paper producer.

A year later, Stora sold Wilkinson to Eemland, a consortium of investors *including several* Swedish financial institutions, J.P. Morgan, the New York bank, and *Gillette, the US company which* dominates the world's wet shaving market.

Since then, uncertainties over Wilkinson's ownership have persisted, as competition authorities in several countries have challenged Gillette's financial involvement in its smaller competitor.

Though Gillette insists that its 22 per cent interest in Eemland gives it no influence over Wilkinson's management, the British government and the German Cartel Office have ordered the US company to dispose of its stake.

Wilkinson today is a much smaller company than in the early 1980s, when its operations included matches, garden tools, household products, fertilisers and Scripto pens. These have been sold off one by one to leave a business of which 85 per cent is *wet shaving equipment* and most of the rest male toiletries.

But this business is more *profitable than during much of the* past decade. Last year, Wilkinson earned operating profits of DM46.8m ($30.7m) on sales of DM316.3m, and industry observers estimate that it could fetch a price of as much as $300m.

Indeed, Mr Mike Dowdall, Eemland's chairman, says the recent recovery in the company's fortunes is at the root of the decision to sell it. Since it introduced Protector, a sophisticated system razor, in March it has been scrambling to meet unexpectedly strong demand.

Mr Dowdall says that in Germany, Protector has seized leadership of the systems shaving market from Gillette's rival Sensor razor, itself a big success since it was launched in early 1990. Protector is also said to be doing well in Britain and France, the two other countries where it is on sale.

Wilkinson would like to launch *Protector in other European* markets and in the US but it has been constrained by inadequate *production capacity*, which will only be partly eased by a decision six weeks ago to expand output at its UK plant by 50 per cent.

Mr Dowdall and his managers want to increase production still further and step up sales and marketing efforts. However, building up sales in the razor market does not come cheap. Gillette is estimated to have invested $200m to develop and tool up production for Sensor and earmarked a further $100m for marketing in the first year after it went on sale.

Whatever sums Wilkinson is looking for are clearly beyond the scope of Eemland's Swedish institutional investors. Faced with severe financial difficulties at home, they concluded that they had no option but to sell.

Meanwhile, Gillette's conflict with competition authorities precludes any increase in its stake. Rather, the sale of Wilkinson Sword offers the US *company a* face-saving way of extricating itself from an increasingly embarrassing regulatory quagmire.

Mr Dowdall, who is a former *director of Unilever, the Anglo-*Dutch consumer products company, says he has held talks with several unnamed prospective buyers but has been unable to agree on terms.

He believes Wilkinson's future would be best guaranteed if it were owned by a big consumer products company with the resources, experience and commitment needed to back the development of new products and marketing.

Among the most likely bidders are Bic, Warner Lambert of the US, maker of Shick razors, and Colgate-Palmolive, the American toiletries and personal care group.

However, all three companies have been mentioned as possible buyers of Wilkinson on previous occasions when it came up for sale. *Whether any of them now* judge that its performance has improved sufficiently to justify the investment it needs may become clearer in the coming weeks.

Sharpening the image, Page 11; Lex, Page 16

Spotlight on the razor business

Wilkinson Sword's ownership history

1973 Wilkinson Sword merges with British Match.

1978 Allegheny International (AI) buys 40% of Wilkinson Sword.

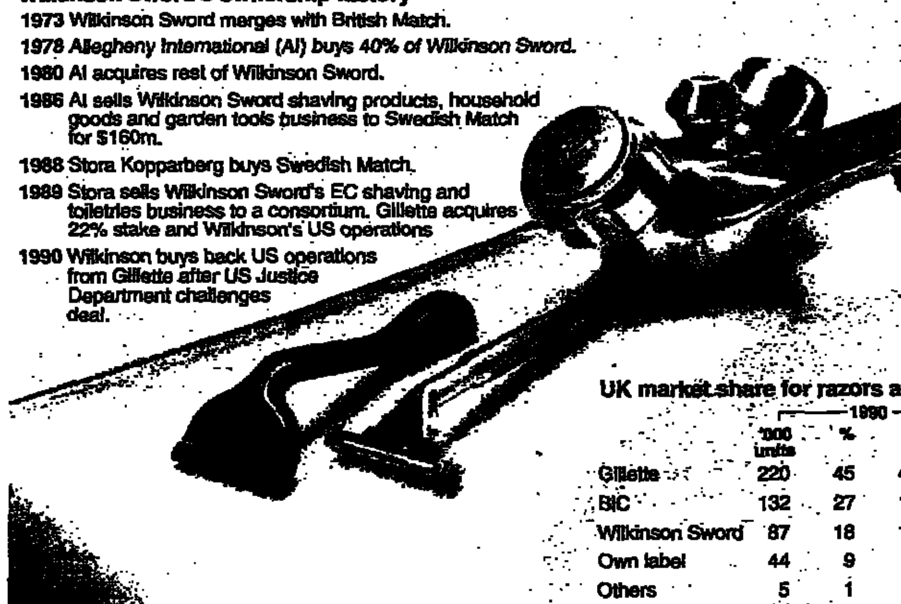
1980 AI acquires rest of Wilkinson Sword.

1986 AI sells Wilkinson Sword shaving products, household goods and garden tools business to Swedish Match for $160m.

1988 Stora Kopparberg buys Swedish Match.

1989 Stora sells Wilkinson Sword's EC shaving and toiletries business to a consortium. Gillette acquires 22% stake and Wilkinson's US operations

1990 Wilkinson buys back US operations from Gillette after US Justice Department challenges deal.



UK market share for razors and blades

	1990 '000 units	%	£m rsp	%
Gillette	220	45	47	64
BIC	132	27	12	16
Wilkinson Sword	87	18	10	13
Own label	44	9	4	6
Others	5	1	1	1
TOTAL	488	100	74	100

Source: Gillette/Mintel

Crédit Lyonnais poised to take control of BfG

By Alice Rawsthorn in Paris and David Waller in Frankfurt

CREDIT Lyonnais, one of France's largest banks, today enters the final stage of negotiations to buy a controlling stake in BfG Bank, the financially troubled German bank owned by Aachener und Münchener Beteiligungs, the German insurance group, and the BGAG German trades union holding company.

The French bank, which is seeking a base in Germany as part of its European expansion programme, confirmed yesterday Mr Jean-Yves Haberer, its chairman, would meet Mr Wolfgang Kaske, AMB chief executive, in Germany today. Mr Hans Matthöfer, BGAG chairman, will also attend.

Crédit Lyonnais is thought to have made an offer for 60 per cent of the bank's shares this week. None of the parties involved would comment on the price yesterday but sources suggested a figure between DM1.8bn ($1.18bn) and DM3.6bn.

BfG, as Germany's sixth-largest bank, provides a rare opportunity for a foreign company to buy a large German financial institution.

The bank has cost shareholders several billion D-Marks since AMB acquired its majority stake five years ago. A further cash injection is required but the main brunt of restructuring is over, the bank said recently.

The negotiations follow this summer's reconciliation between AMB and Assurances Générales de France (AGF), a big state-owned French insurer which has acquired a 25 per cent stake in the German company.

Hostilities ended this summer and as part of the deal AGF undertook to find a French buyer for BfG. A successful sale could lead to further co-operation between AGF and AMB, including recognition of voting rights on its full stake.

Today's talks between Crédit Lyonnais and AMB come amid controversy over the aggressive expansion strategy pursued by Mr Haberer.

Its net profits fell from FFr1.61bn ($310m) in the first half of 1991 to FFr119m in the *same period this year, mainly* because of higher bad debts and depressed property holdings. However, Mr Haberer confounded critics of his expensively acquired European network which has performed well.

Saga comes to a head, Page 18

Thomson-CSF net profits fall 24.6% in first half

By William Dawkins in Paris

THOMSON-CSF, the French state-controlled defence electronics supplier, yesterday announced a 24.6 per cent decline in net profits for the first half of the year and warned that it was expecting a fall in earnings for 1992 as a whole.

Profits fell in line with analysts' forecasts from FFr1.12bn net in the first half of last year to FFr848m ($177.4m) in the six months to June. Sales fell 10.5 per cent to FFr14.76bn over the same period.

Last April, Thomson-CSF forecast an increase in profits in 1992. However, it warned last month that it would not meet this target because of the collapse in profits at Crédit Lyonnais, the state-owned bank in which Thomson-CSF has a 15.5 per cent stake.

Thomson-CSF has also pulled out of a planned deal to buy the missiles division of LTV of the US, after it met growing political opposition based on fears of domination by the French defence industry.

The group blamed its sales decline in the first half on the completion of one of its largest ever contracts – to sell ground-to-air missiles to Saudi Arabia – and the fact that missile sales in the first half of 1991 were unusually high because of the Gulf war.

Accordingly, the missiles division recorded a 35 per cent drop in sales. Earlier forecasts of a 5 per cent decline in overall group sales this year were still valid, Thomson-CSF said.

Operating profits fell 12 per cent from FFr1.06bn to FFr935m in the first six months, where they represented 6.3 per cent of turnover, a small improvement on the operating margin of 6.1 per cent achieved in the first half of last year.

Minorities contributed FFr214m to net profits, up from FFr65m, mainly due to the treasury bank Altus Finance and SGS-Thomson, the Franco-Italian semiconductor supplier.

However, there was a FFr50m extraordinary loss, as against a FFr167m extraordinary profit in the first half of 1991. Thomson-CSF has incurred restructuring charges from its strategy of reducing capacity in line with the worldwide fall in demand in the depressed defence industry.

Isosceles fails to sell Herman's

By Maggie Urry in London

ISOSCELES, the heavily indebted buy-out vehicle for the Gateway *food* retail chain, has lost a chance to sell Herman's Sporting Goods, its US subsidiary.

A buyer for the chain had been at an advanced stage of negotiations but pulled out late last week.

This will be further bad news for Isosceles' shareholders and the banks which are owed more than £1.2bn ($1.9bn).

Rumours about the group's *poor trading* and unrest among its lenders have been circulating in the City of London.

The company is said to be in discussions with its bankers over another adjustment to its financial structure only two weeks after a refinancing – its second since the £2.1bn takeover in 1989 – was approved by shareholders.

Insiders say, however, that Isosceles' more pressing problem is its trading performance, which is not meeting budgets and appears to be worsening.

The Herman's buyer which dropped out is believed to have been Odyssey, a New York-based buy-out capital group.

Isosceles is thought to have other possible buyers for Herman's, although at a lower price. It will have to start again with the usual lengthy negotiating process with another purchaser.

Even the Odyssey bid is thought to have been at a price below the level to which Isosceles had written down its investment in Herman's in its latest accounts for the financial year to April 25 this year.

Isosceles, which has been trying to sell Herman's ever since its bid for Gateway succeeded, cut £144.8m from the value of Herman's during the year.

Herman's forms the bulk of Isosceles' "investments held for disposal" which were put at £57.7m in the balance sheet.

Herman's made a $1m (£600,000) operating profit in the 1991-92 financial year, its first operating profit since Isosceles took over Gateway.

Herman's has suffered in the dismal US retailing market, although Isosceles claims to have addressed many of the weaknesses in the business.

Last week Isosceles sold Wellworth, its northern Irish supermarket for £128m, including repayment of debt. This was also at a price below earlier hopes.

Details of Hachette and Matra merger announced

By Alice Rawsthorn in Paris

MMB, the French holding company controlled by Mr Jean-Luc Lagardère, yesterday announced the terms of the financial arrangements for the proposed merger between Matra, the defence electronics concern, and Hachette, one of France's leading media groups.

Mr Lagardère, who chairs the three companies, first announced plans for the surprise merger of Matra and Hachette in May. The terms are 11 Hachette shares for every five held in Matra.

Hachette's shares were suspended at FFr129 and Matra at FFr178 pending the announcement of the merger terms. Based on these prices, Hachette is capitalised at FFr2.54bn and Matra at FFr4.69bn.

The announcement of the merger terms comes at a time of renewed speculation that Havas, another force in French media, was the architect of a share buying raid on Hachette earlier this month.

A leading French newspaper yesterday reported that Havas, which had previously denied buying Hachette shares, had bought a stake of up to 4 per cent in an attempt to press Mr Lagardère into selling Europe 1, the radio station.

Hachette's financial plight was one of the catalysts for the merger. Hachette, which recently reported that its stayed in the red with a net loss of FFr39.3m ($7.62m) in the first half of this year, has been hit by the collapse of La Cinq, the French television station in which it was the managing shareholder.

The merger is subject to the completion of the proposed FFr2.8bn recapitalisation of Hachette, which is not expected to be finalised until a Paris commercial court rules on La Cinq's debts late next month.

Matra, by contrast, is performing well. Yesterday it announced that net profits had trebled from FFr64m in the first half of 1991 to FFr191m in the same period this year on sales up from FFr10.63bn to FFr12.55bn.

The company said its defence, vehicle and telecommunications activities had fared "particularly well".

Alcoa forges Hungarian venture

By Nicholas Denton in Szekesfehervar

THE Aluminum Company of America (Alcoa), the world's largest aluminium company, yesterday signed a joint venture with Hungalu, Hungary's state-owned aluminium monopoly, in the first stage of a $165m investment.

Alcoa has agreed to pay $50m to take a 50.1 per cent stake in Kofem, a Hungalu subsidiary making flat-rolled aluminium products and extrusions in Szekesfehervar, south-west of Budapest. The remaining stake will be held by the Hungarian parent company.

The new venture, Alcoa-Kofem, will invest a further $115m over five years in improving product quality and safety. Alcoa will provide technology and expertise, and will share sales and marketing responsibilities with Hungalu.

The State Property Agency, the privatisation authority, and Hungalu, which the SPA owns on behalf of the state, also took over two-thirds of Kofem's debts of about Ft4bn ($51m) to sweeten the deal.

Alcoa's move is part of the group's emphasis on expansion in Europe, where prospects for growth in aluminium demand are significantly more promising than in the US.

Mr Paul O'Neill, chief executive of Alcoa, was bullish yesterday about the east European region, hoping that the Szekesfehervar facility could become "the premier plant in this part of the world."

French group in further disposal worth $100m

By William Dawkins in Paris

RHONE-POULENC, France's largest chemicals and pharmaceuticals group, has announced an agreement in principle to sell a potash and chemical products unit for more than $100m – the latest move in an ambitious asset disposals programme.

The state-owned group has agreed to sell Alsace-based Potasse et Produits Chimiques (PPC) to Ethyl Corporation, a US chemicals group.

This puts Rhône-Poulenc on track to achieve its target of FFr5bn ($980m) in asset disposals in the two years to the end of 1993, a strategy aimed at reducing the debts it built up to finance US acquisitions.

It sold FFr1.5bn of non-strategic assets in the first half of this year and is expected to have sold just over FFr3bn by the end of 1992, with the rest to come in the following year.

Rhône-Poulenc owns 65 per cent of PPC, with the rest owned by Entreprise Minière et Chimique, another state-owned chemicals group, which will also sell its stake.

PPC had turnover of FFr586m last year and is a leading producer of bromide compounds, used in photographic chemicals, fertilisers and drugs. It also makes caustic potash for the glass, chemicals and food industries.

Ethyl is understood to be keen on PPC to help it build up a presence in Europe and improve market share in performance chemicals.

Saga of BfG comes to a head

David Waller reports on the battle over the sale of a German bank

THERE have been two bids for Germany's BfG bank in recent weeks – one from a bank and one from a baker.

The offer from Mr Horst Schiesser, proprietor of a Berlin bakery, is in keeping with the farce and intrigue which has characterised the long-running cross-border imbroglio over Aachener und Münchener Beteiligungs (AMB) – Germany's second-biggest insurance company – and its BfG banking subsidiary.

However, this offer from Mr Schiesser, a man famous in Germany because he once made an audacious but unsuccessful bid for the whole of eastern German industry, was rejected out of hand by AMB.

Far more serious, from the point of AMB shareholders, is a bid that will be put on AMB's table today by Mr Jean-Yves Haberer, chairman of Crédit Lyonnais, one of France's largest banks.

He is meeting Mr Wolfgang Kaske, his opposite number at AMB, and is thought likely to offer somewhere between DM1.8bn ($1.13bn) and DM3.6bn for a 60 per cent stake in BfG, Germany's sixth-biggest bank. Also attending the meeting will be Mr Hans Matthöfer, chief of BGAG, the trades union holding company which is BfG's other shareholder.

Crédit Lyonnais is keen to get into the German banking market, and BfG is the only sizeable bank in Germany which is up for sale. Although there is bound to be haggling over the price, it seems certain that a deal will be done. This will pave the way for a resolution of AMB's fate.

AMB, with annual premium income of DM12bn and a market capitalisation of around DM3.5bn, is the second-biggest participant after Allianz in the German insurance market, Europe's largest. It bought its 50 per cent plus one share stake in BfG five years ago in the hope of developing cross-selling opportunities. Instead, it acquired a severe headache: the troubled BfG has cost its shareholders several billion D-Marks and nearly cost AMB its independence.

The imminent deal over BfG was the keystone of this summer's surprise rapprochement between AMB and Assurances Générales de France (AGF), the big state-owned French insurer. Mr Helmut Gies, chairman of AMB's supervisory board, went over the heads of his management board – and shareholders – and struck a deal with the French. Mr Wolf-Dieter Baumgartl, then chief executive, resigned in protest. Under the terms of the deal, AGF would help find a French buyer for BfG, while the two big insurance companies would work towards forging a closer business alliance.

Relations between the two, which had plumbed depths of hostility, have improved dramatically. Unconfirmed reports suggest that representatives of AGF and Dresdner Bank, its German ally, are about to be appointed to the AMB management board.

So is the saga complete? Not quite, says Mr Nicolaus-Jürgen Weickart, a Frankfurt lawyer. He has played an important role in Germany's limited number of hostile takeovers. He intends to marshal the forces of AMB's independent shareholders to challenge the AMB/AGF rapprochement. Acting on behalf of a single, unidentified client who owns a 1 per cent stake in AMB, he has gathered together a further 9 per cent of the company's shareholders who, he says, are opposed to the deal.

"I find it astonishing that the ordinary shareholders in AMB have not had a say in all this," he says. "The whole affair smacks of corporate Germany putting together deals under the table in smoke-filled rooms. There has been no transparency at all."

In the absence of hard-and-fast rules governing takeover activity in Germany, it is standard corporate practice to try to wrestle control by buying a large blocking stake rather than making a full takeover bid. Mr Weickart claims that the French are on the verge of obtaining effective control of AMB – without having to pay a premium for that control and without even making an offer to all shareholders.

Therefore he has taken steps which, he claims, may force AGF to make a full bid for the company, to the benefit of ordinary institutional and other shareholders. If this happened it would be a sensational development for M&A in continental Europe.

His strategy hangs on the fact that under a quirk of German corporate law, AGF does not yet have full voting rights on its 25 per cent-plus stake. It is up the AMB management board to recognise these rights, as it has said it would do as part of this summer's reconciliation.

Mr Weickart's legal initiative means that shareholders will get the opportunity to vote on the sale of BfG and on the move to recognise AGF's votes at an extraordinary general meeting. AGF will not be able to vote its full holding with the result that despite the support of large AMB shareholders like Dresdner Bank and Münchener Re, the big Munich reinsurance group, the vote may be close. If the vote is lost, AGF may be forced to make a full bid.

A key role will be played by Fondiaria, the large Italian insurance company which owns 20 per cent of AMB but whose interests have been marginalised as a result of AGF's manoeuvres, Mr Weickart says.

The prospect of a closely-fought extraordinary general meeting – likely to take place around the turn of the year – will ensure that the AMB saga has at least several months left to run.

Fall of 7% for Smiths Industries

By Andrew Bolger in London

SMITHS Industries said a strong performance by its medical systems division had partly offset a drop in profits from the UK-based group's civil and military aircraft businesses.

Pre-tax profits fell 7 per cent to £102.2m ($166m) on sales of £635.3m, down 3 per cent. There was a final dividend of 7.15p, up from 6.8p.

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Hongkong Land given one Trafalgar board seat

By Roland Rudd in London

TRAFALGAR House, the property construction and engineering group, yesterday turned down a request to accept two directors of Hongkong Land on to its board.

It accepted one, Mr Rodney Leach. Hongkong Land controls 14.9 per cent and had wanted Mr Leach and Sir Charles Powell to join the Trafalgar board.

Mr Allan Gormly, Trafalgar's new chief executive, said: "It did not seem appropriate to appoint two directors from Hongkong Land to our board. The request was made when Hongkong Land thought their shareholding would be greater."

Hongkong Land recently failed to increase its stake by tender offer.

However, Mr Leach said: "We have the right to go up to 29.9 per cent."

He added: "We tend to have bigger stakes than 14.9 per cent."

Restructuring for Worms

WORMS, the French holding company with broad industrial and financial investments, is restructuring activities by taking control of Financière Truffaut, which controls its luxury goods investments, and Demachy Worms, writes Alice Rawsthorn in Paris. The group has made share swap offers for both companies as part of a programme of consolidating its interests.

Banco Santander raises profits and dividend

By Tom Burns in Madrid

BANCO SANTANDER, the Spanish banking group, raised third-quarter net income by 13.8 per cent to Pta62bn ($626.5m) in the first nine months of the year and will lift its interim dividend by 10 per cent to Pta143 per share.

The profit growth was in part due to a 29.5 per cent rise to Pta52.6bn in other ordinary revenue, chiefly fee income, which compensated for a 4 per cent fall to Pta485.6bn in financial revenues.

Santander was also able to reduce its financial costs by 6.5 per cent to Pta337bn and contained the growth of total operating expenses to 4.9 per cent.

In the breakdown of its Pta109.9bn total operating expenses, Santander increased its personnel expenses by 7.2 per cent to Pta71.8bn but kept overheads and taxes other than income tax virtually unchanged at Pta38.1bn.

Mr Emilio Botin, chairman, said the economic downturn and reduced demand for loans had slowed growth.

Kraft takes control of 75% of Freia Marabou

By Karen Fossli in Oslo

KRAFT General Foods International, part of the Philip Morris group of the US, has gained control of more than 75 per cent of the share capital of Freia Marabou, Scandinavia's biggest chocolate producer. KGFI last month offered $1.5bn, or NKr450 a share, to acquire Freia but needed two-thirds acceptances for the deal to go through.

The only remaining obstacle for KGFI to clear is approval by the industry ministry which is required under foreign ownership laws.

Freia is to become part of KGFI's Jacobs Suchard group and is to be named Freia Marabou Suchard.

Hershey Foods of the US had its $1.3bn bid rejected by Freia's main shareholders. Hershey owns a 18.6 per cent stake in Freia Marabou but has yet to deliver a rival bid for the company which it earlier said it would do jointly with Orkla, the diversified Norwegian group which has main interests in branded foods.

Colossus shakes Austrian financial markets

Ian Rodger on the mixture of vigour and timidity shown by one-year-old Bank Austria

FOR a bank that is only a year old, Bank Austria has made its presence felt in Austria's languid financial markets.

It has sacked three top executives following the discovery of massive loan losses in the UK and the US; it has driven up domestic interest rates for loans; and it has mounted a boardroom challenge to an aspiring competitor.

But Bank Austria is not just any bank. It became, through a merger last October of two venerable Viennese financial institutions, the country's largest bank at a stroke. And it is trying to assert leadership in a market where banks, most of them state-owned, have been more interested in market share than in making profits.

Yet Bank Austria, itself state-controlled, is being extremely timid about implementing the rationalisation that must follow its merger.

So far, not a single branch has been closed, although bank executives acknowledge that at least 50 of the 360 are blatantly redundant. Fewer than 300 of the bank's 9,700 employees have lost their jobs. And only a couple of branches have been fitted out with the bank's new insignia and symbols.

This timidity stems in large part from the bank's roots. Its two predecessor banks, the Zentralsparkasse group of Viennese savings banks and Osterreichische Länderbank, were in the socialist camp.

An agency of the city of Vienna was the dominant shareholder in Zentralsparkasse, and Mr Helmut Zilk, the city's socialist mayor, remains chairman of Bank Austria. The national government had a majority stake in Länderbank, with socialists holding the majority in the boardroom and senior executive positions.

Mr Rene Alfons Haiden, the chief executive, disclosed last month that the bank intended to close about 50 branches over the next two years. He has also said up to 1,500 jobs would be lost by the end of 1995. "The next two years are the difficult ones," according to Mr Haiden. "It is going to be hard, but we will do it."

Bank executives claim they have done better on paring administrative costs, notably combining back-office premises. And they say the delay in installing the new identity at branches was due to dissatisfaction with the first design.

On the business front, the new bank has been more impressive. Within weeks, directors had to deal with severe problems in the UK and US branches inherited from Länderbank. In February, they announced a Sch5bn ($472m) charge for extraordinary losses on bad loans and sacked three executives.

As the losses and the executives came from the Länderbank side, bank directors knew their tough action would contribute to the view that the merger had really been a rescue of Länderbank, and that this would undermine staff morale.

But the crisis passed without upheaval, and the bank has reassured former Länderbank staff by making clear that Mr Gerhard Randa, their former chief executive and now deputy chief executive of Bank Austria, would take over from Mr Haiden within the next three years.

The bank then set out to use its new market leadership position to reassert discipline in pricing of services.

Past attempts by a bank to raise interest rates or customer charges were usually undermined by competitors. Lending spreads have been thin in the Austrian market, now averaging 1.75 per cent, according to Mr Haiden, a full 1 percentage point less than needed.

In April, Bank Austria raised charges on private cheque accounts by 25 per cent, the first significant increase in several years, and others followed. In July, it boosted lending rates by 0.0025 to 0.005 per cent but froze rates on deposits. Again, everyone followed.

"It looks as if Haiden has broken the pattern," says Mr Heinz Handler, banking analyst at the Austrian Institute of Economic Research (WIFO). Others say that all banks are making such poor profits that they are co-operating.

Bank Austria's first-half pretax profits tumbled 15.7 per cent to Sch867m, while those of Creditanstalt, the second largest bank, were down 9.5 per cent to Sch845m.

Bank Austria's latest offensive is aimed at blocking the attempt by GiroCredit, the country's third largest bank, to expand its retail strength in the Austrian provinces. Following a confrontation last week, both sides backed down, but it looks as if Bank Austria will soon get rid of its 30 per cent stake in Giro.

These manoeuvres will not be enough to rescue Bank Austria from a disappointing first full year. Mr Haiden has forecast some improvement in the second half, but net income could be 10 per cent below last year's Sch2.1bn.

And if market conditions remain depressed, the bank will rationalise more, even if it is run by socialists. "If the bad situation persists, all the large banks will have to make big changes to their cost structures," Mr Randa predicts.

Kao beats forecast with 6.9% increase

By Emiko Terazono in Tokyo

KAO, the Japanese toiletries maker, yesterday reported a 6.9 per cent rise in taxable parent profits to Y21.2bn ($173m) for the first half to September, from Y19.81bn a year earlier, due to firm demand for its new shampoos, cosmetics and detergents. This exceeds the group's April forecast of Y20bn.

The progress was made despite Japan's fall in personal consumption, with sales rising 5.8 per cent to Y305.2bn, compared with a previous Y288.54bn and an April forecast of Y300bn.

Kao said sales by its personal care and cosmetics division rose 9.3 per cent to Y109.6bn, thanks to new facial cleansers and powders and a new coloured hair rinse.

Laundry detergent and soap sales rose 3 per cent to Y120.7bn on solid demand for fabric softeners and bleaches. Sales of hygiene items, such as disposable nappies, grew 12.4 per cent to Y35.7bn. In contrast, chemical sales fell 0.3 per cent to Y39.2bn, due to a slump in industrial demand.

For the full year to March, Kao expects taxable parent profits to rise 3.3 per cent to Y43bn.

Restructuring helps Malbak limit fall in earnings to 9%

By Philip Gawith in Johannesburg

MALBAK, the industrial arm of South Africa's Gencor group, improved on its forecast earnings per share with 113.5 cents for the year to August. In May, it foresaw earnings of about 105 cents a share.

However, yesterday's results were 9 per cent lower than the 124.1 cents achieved a year earlier, though the weighted average of shares in issue in the latest 12 months was 40 per cent higher than in 1991.

This was the result of a R881m ($295.70m) rights issue, and a substantial change in the composition of the group on September 1 1991, when it acquired Fedfood and SA Druggists and disposed of Darling & Hodgson and half its stake in Standard Engineering. These transactions refocused the group on the consumer sector.

Turnover for the restructured group rose by 30 per cent to R11bn from R8.4bn, while operating profits rose 18 per cent to R851m from R720m. Attributable profits advanced 28 per cent to R329m from R256m. In spite of the fall in earnings per share, the dividend is being raised by 3 per cent to 33.5 cents per share from 32.5 cents.

Mr Grant Thomas, chairman, said the performance was satisfactory given difficult economic conditions and restructuring and rationalisation expenses. He forecast maintained earnings for the year ahead, but said economic conditions "could well deteriorate further."

The food division (Foodcorp) contributed 19 per cent to net profits, packaging and paper (Holdains) 17 per cent and healthcare (SA Druggists) 13 per cent. Operating investments – holdings in Haggie, Standard Engineering and ICL – contributed 15 per cent to earnings, while 19 per cent came from rights issue proceeds.

Enso-Gutzeit cuts loss after rationalisation

By Christopher Brown-Humes in Stockholm

ENSO-GUTZEIT, the Finnish pulp and paper group, cut losses to FM283m ($59m) in the first eight months from FM384m a year earlier.

Its performance benefited from rationalisation, but the pace of its recovery slowed in the second four months because of continuing over-capacity and the weak dollar. Sales rose 4.7 per cent to FM6.38bn, with the biggest increases recorded for pulp and paperboard, sawn goods and laminating papers.

The operating margin was FM917m, or 14.4 per cent of sales, against FM740m, or 12.2 per cent, a year ago. Exchange losses on foreign loans were reduced to FM126m from FM289m. The loss per share was FM2.33, against FM3.10.

The group declined to give a forecast for the full year because of exchange rate uncertainty, but said losses would be lower than the FM950m last year. Finland's decision in September to float the markka will raise financial expenses by FM400m, but cash flow will improve.

● Celsius, the Swedish state-owned industrial-military group, made a profit (after financial items) of SKr345m ($61m) for the first eight months compared with a profit of SKr427m in the previous corresponding term, writes Robert Taylor in Stockholm.

Net sales increased to SKr7.7bn from SKr5.6bn, and the order books totalled SKr22bn at the end of August.

The profit for the whole of 1992 is expected to be similar to last year's total of SKr507m.

Australian bank closer to NZ takeover victory

By Bruce Jacques in Sydney and Terry Hall in Wellington

NATIONAL Australia Bank last night said it had acceptances for 85.61 per cent of the ordinary shares in its A$1.1bn (US$786m) takeover target, Bank of New Zealand. The bid, which closes on November 9, needs 90 per cent acceptance to be made unconditional.

NAB said institutional shareholders, holding more than 10m BNZ shares, had accepted the offer, following a visit to New Zealand by Mr Don Argus, NAB managing director. New Zealand's securities commission has ruled out an inquiry into BNZ which could have affected NAB.

● Standard and Poor's Australian Ratings removed NAB from negative credit watch and said BNZ's rating would rise if the bid succeeded.

Hutchison seeks new UK telecom partner

By Simon Davies in Hong Kong

HUTCHISON Whampoa is attempting to find a new partner for its UK telecommunications subsidiary as British Aerospace has indicated a desire to sell its 35 per cent stake in the company.

But Mr Simon Murray, Hutchison managing director, was adamant yesterday his company's stake would not be sold.

He said Hutchison would withdraw from an aggressive push for new cellular telephone licences beyond its core markets, reflecting concerns over its expansion into telecommunications. But Mr Murray said the company was proceeding with its multi-billion dollar expenditure into the UK.

Hutchison, Hong Kong's most rumour-plagued company, was hit by another wave of market speculation yesterday over reports that it is to dispose of all its non-Hong Kong telecommunications operations.

Mr Murray said that some smaller loss-making operations had been shut, but there was to be no large-scale retrenchment. The company's HK$7bn ($903m)personal communications network would be completed by early 1994 and he was optimistic it would be profitable by 1996.

"Hutchison Telecommunications is doing very well overall. It will make more this year than it did last year," said Mr Murray, who was confident that the freeze on new projects would ensure this side of business remained on track.

The continued under-performance of its shares suggests investors remain unconvinced.

Asahi Breweries to take up rights

ASAHI Breweries, Japan's second-largest beer producer, will exercise a majority of its entitlements to a two-for-five rights issue by Foster's Brewing, the Australian group in which it holds a 20 per cent stake, AP-DJ reports from Tokyo.

Asahi Breweries will be entitled to one-fifth of the A$1.02bn (US$729m) offering.

Mr Shigeto Oishi, director and general manager of Asahi Breweries' international finance department, said it would exercise "a majority" of its rights but it had not yet decided the percentage.

Minorco to buy Chevron copper interest in Chile

By Philip Gawith

MINORCO, the Luxembourg-based resources associate of South African mining group Anglo American, has agreed to buy one-third of a Chilean copper project for $185m from a subsidiary of Chevron, the US oil group.

Under the deal, Minorco acquires Chevron Exploration Corporation of Chile's interest in the Collabuasi copper project.

Minorco will assign the interest to a new company to be 50.1 per cent owned by Minorco and 49.9 per cent by Empresa Minera de Mantos Blancos, a Chilean company, which is 74 per cent owned by Anglo American.

The new company will be called Minera Mantos Minorco and will be listed on the Santiago stock exchange.

The deal is subject to Falconbridge and Royal Dutch/Shell, CECC's partners in the project, not exercising their rights to acquire the interest.

Four separate copper deposits have been identified within the Collabuasi area. A pre-feasibility study, commissioned by the joint venture partners, should be completed in the second quarter of 1993.

Minorco believes the project's start-up date will be 1996-7. Initial indications show ore reserves of about 1.1bn to 1.2bn tonnes with a grade of more than 1 per cent copper.

Collabuasi is located in northern Chile, about 30km west of the Chilian border with Bolivia.

Chevron, which is believed to have paid about $45m for its original investment, is said to be divesting all of its non-petroleum interests.

AMR blames fares war for loss

By Nikki Tait in New York

AMR, parent company of American Airlines and one of the three largest US carriers, yesterday revealed a loss of $85m in the third quarter of 1992. The third quarter is usually when airlines make much of their money, and in 1991, AMR had posted a profit of $70m for the period.

This time, American, seen as a bellwether for the troubled US airline industry, had already warned it would be in the red in the July-September period. Nevertheless, Mr Robert Crandall, chairman, yesterday called the figures "very unsatisfactory".

He put the blame firmly on the domestic fare wars which generated extremely cheap tickets for summer travel earlier this year. "Our third-quarter revenue problems were caused primarily by very low domestic yields," he said, which fell from 12.52 cents a year earlier to 10.66 cents in the third quarter of 1992.

"The impact of this on American was compounded by the fact that American's domestic system is the largest in the industry and represents a large percentage of our total revenues."

Mr Crandall added that yields had been particularly low in late May and early June, when it was selling a large number of "half-price" tickets as part of the general fare wars.

Hurricane Andrew, which badly hit southern Florida and Louisiana in late August, also had an adverse effect, he said, as did "the fact that the company, because of previously-scheduled aircraft deliveries, grew more rapidly during the third quarter than most other airlines".

The loss takes AMR's total deficit after tax in the first nine months to $231m. In the first nine months of 1991, it made a net loss of $115m. Third-quarter revenues totalled $3.73bn, a 5.9 per cent increase on last year, and for the nine months they were $10.82bn against $9.49bn.

During the third quarter, American's load factor – the percentage of seats filled with paying passengers – advanced sharply, from 66.8 per cent a year ago to 72.3 per cent. This reflected the boost in passenger traffic which the cheap fares generated.

However, the "break-even" load factor also increased sharply from 62 per cent to 72.5 per cent – in turn, a reflection of falling yields.

In the light of AMR's warning of the third-quarter loss, the stock market greeted the results fairly calmly, with the shares easing $⅛ to $60⅝.

Delta, which also has a very large domestic network and is having problems with the international business which it acquired from Pan Am, fell $1 to $57¼.

However, UAL, the parent company of United Airlines which traditionally has more international flight business, gained $⅞ at $119⅞.

United Technologies lifts earnings 19%

By Martin Dickson in New York

UNITED Technologies, the US aerospace-to-elevators group in the throes of a cost-cutting programme, yesterday reported a 19 per cent increase in third-quarter earnings as improved profits in several divisions offset the depressed state of its Pratt & Whitney aero engine business.

UTC reported net income of $142m, compared with $119m in the same period of last year. However, after changes in the tax treatment of dividends on the company's preferred stock, this translated into earnings per share of 89 cents, up from 85 cents. Revenues totalled $5.4bn, up from $5.3bn.

Mr Robert Daniell, chairman, said: "All business segments showed improved earnings except power (Pratt & Whitney), which continues to be severely affected by the depressed state of the global airlines and by defence cuts."

Pratt announced last week it was speeding up and expanding its workforce cuts, losing 7,500 jobs by next June, against an original plan for a 2,400 reduction by that date, because of much lower demand for new engines.

Pratt reported a third-quarter operating profit of $32m, down from $127m, on revenues of $1.5bn, compared with $1.7bn, primarily due to lower earnings on commercial spare parts and new engines. The commercial spares order rate in the quarter was 28 per cent lower than in the first half of the year.

The company's flight systems business, which includes Sikorsky, the helicopter manufacturer, reported profits of $111m, up from $41m on revenues unchanged at $1bn.

The company said this was due to a continuing strong performance at Sikorsky and Hamilton Standard, and reduced losses at its Norden radar business.

Building systems, which includes Otis, the elevator company, and Carrier, the air conditioning manufacturer, saw profits rise from $122m to $148m on revenues up from $2.1bn to $2.3bn, because of cost-cutting and Carrier's market share gains in the US.

Automotive products produced profits of $36m, up from $18m, thanks mainly to gains on disposals. For the nine months, net income rose to $417m, or $2.84, up from $203m, or $1.42, on revenues up to $16.3bn from $15.5bn.

Chemical Banking surges by 35%

By Alan Friedman in New York

HIGHER net interest revenues and an ability to contain the rise in bad debt provisions helped Chemical Banking, the third-biggest US commercial bank, to turn in a 35 per cent increase in its third-quarter net profits, to $282m.

The improved net, which translates into earnings per share of 98 cents, against 95 cents a year ago, is in line with the better earnings achieved by Chase Manhattan, another big New York-based bank.

Chemical, formed last year by the merger of Manufacturers Hanover Trust and Chemical, said its bad debt provisions in the third quarter were $330m, compared with $313m a year ago but $345m for this year's second quarter.

Net loan write-offs totalled $330m, against $307m in the third quarter of 1991.

Mr John McGillicuddy, Chemical's chairman, said results were helped by a 15 per cent rise in net interest income, to $1.16bn, by strong trading profits and improvements in fee-based services.

He forecast a decline in bad debt provisions and non-performing assets "going forward". Non-performing assets in the third quarter declined slightly year-on-year, to $6.59bn from $6.66bn.

Mr Walter Shipley, Chemical's president, said the bank's merger-related cost-cutting programmed was ahead of schedule.

The bank's Tier One risk-based capital ratio was a healthy 7 per cent at the end of September, up from 5.6 per cent a year ago.

That ratio reflected $1.7bn in new common equity raised by the issue of stock last January and by retaining $447m of earnings generated during the first nine months of 1992.

For the first nine months of the year, Chemical's net income was $782m, up by 36 per cent from the same period last year.

Hurricane helps reduce Texaco earnings by 6%

By Alan Friedman in New York

TEXACO, the US energy group, yesterday disclosed a 5.9 per cent decline in third-quarter net earnings, which it attributed to costs associated with property damage caused by Hurricane Andrew and debt-related expenses.

The drop – from $286m to $269m – translated into earnings per share of 94 cents, down from $1.01 a year ago. But Texaco maintained that without special charges its third-quarter 1992 net would have been $1.10 a share, or $309m.

Revenues were 6.9 per cent higher at $10bn.

For the first nine months of 1992 net income dropped by 26.4 per cent to $714m on revenues 2 per cent lower at $27.97bn.

Mr James Kinnear, chief executive, said the operational performance in the quarter reflected benefits from better crude and natural gas prices, as well as efforts to control expenses. These benefits, however, were dampened by weak refinery margins in the US and in major international markets.

In operating terms, exploration and production earnings in the US were $189m in the quarter, against $129m a year ago. Manufacturing and marketing earnings were $87m, up from $82m last time.

Exploration and production operating income outside the US was $66m, down from $89m in the third quarter of 1991. Non-US manufacturing and marketing operating profits were also lower, at $86m against $118m a year ago.

Texaco's petrochemical losses in the third quarter were $8m, compared with $3m earnings last year.

In common with many other US oil and gas companies, Texaco's capital and exploration spending was reduced to $705m in the third quarter from $835m a year ago. For the first nine months of 1992 this figure was $2.12bn, against $2.49bn last year.

On Wall Street, Texaco's share price was $⅛ lower at $61⅝.

GM denies Stempel reports

By Martin Dickson

GENERAL Motors, the struggling US automobile manufacturer, yesterday added a new problem to its list of woes – fighting rumours that its non-executive directors are pressing for Mr Robert Stempel, the chairman, to step down.

The company has strongly denied the reports, which surfaced in their strongest form yet on the front page of yesterday's Washington Post newspaper. This quoted unnamed board sources as saying that the directors had grown increasingly unhappy with Mr Stempel's performance, but were still debating who should replace him.

Mr Stempel, 59, was taken to hospital in Washington last week suffering from high blood pressure, but has since resumed his executive responsibilities. The Post claimed directors wanted to use the illness as an excuse for Mr Stempel to step aside gracefully.

The board made clear last April it was displeased with Mr Stempel's performance when it replaced him as chairman of the company's important executive committee with Mr John Smale, an outside director who once ran Procter & Gamble.

At that time it also ousted Mr Stempel's right-hand man, Mr Lloyd Reuss, as president and head of North American operations, replacing him with Mr John Smith, formerly in charge of its international business.

GM is expected to announce third-quarter losses of up to $845m next week and needs to slash its manufacturing costs in the US. But some analysts argue the company's executives have yet to convince the workforce of the urgency of the task.

Li Ka-shing in Vancouver deal

By Bernard Simon in Toronto

CONCORDE Pacific, a Canadian company controlled by Hong Kong magnate Mr Li Ka-shing, is bringing in an outside partner to help finance a large property development on Vancouver's waterfront.

Canadian Maple Leaf Financial, a publicly-traded company which has its origins in a fund set up for investor immigrants mostly from Hong Kong, has agreed to contribute C$150m (US$120m) in equity and debt to develop a section of the 12m sq ft Pacific Place project.

In return, Mr Li will become a significant minority shareholder in Canadian Maple Leaf (CML), whose interests include investments in Canada's biggest car park operator. CML has also helped finance the Canadian production of Phantom of the Opera, and has a stake in a stage lighting and sound company.

Mr Stephen Funk, CML's president, said Concorde Pacific would invest about C$5m in the form of a convertible debenture.

Pacific Place is one of the biggest residential and commercial projects under construction in North America. It will cover about 200 acres, or 50 blocks, on the site of the Expo 86 fair on the southern fringe of Vancouver's business district.

The plans include 42 apartment buildings and 3m sq ft of offices, shops and a 400-room hotel. CML's contribution will be used to finance about 1m sq ft of low-income housing on the site.

Concorde also recently sold a small parcel of the development to a sports and entertainment company which plans to put up a small stadium.

Mr Li and his partners bought the Pacific Place site from the British Columbia government in 1988 for C$320m. Concorde made a down payment of C$50m, with the rest to be paid between 1994 and 2003.

Bristol-Myers edges ahead in third quarter

By Alan Friedman

BRISTOL-MYERS Squibb, the world's third-biggest pharmaceuticals company, reported a 5 per cent rise in third-quarter net earnings, to $589m.

The modest improvement, struck on quarterly revenues 13 per cent higher at $3.1bn, translated into earnings per share of $1.14, compared with $1.08 a year ago.

For the first nine months, net income was also 5 per cent higher, at $1.62bn. Revenues were 7 per cent better at $8.77bn.

Mr Richard Gelb, chairman of Bristol-Myers, said international sales were particularly strong during the quarter, recording a 24 per cent improvement thanks to foreign exchange gains and 13 per cent without calculating the effect of currencies. This compared with US domestic sales that rose 6 per cent.

Mr Gelb said all four of the group's core businesses – pharmaceuticals, consumer products, medical devices and nutritional products – had better earnings in the quarter.

● One-time restructuring charges caused Eli Lilly, the Indiana-based pharmaceuticals group, to suffer a $268.5m third-quarter loss. In the third quarter of 1991 the company recorded a $297.5m net profit. Sales in the quarter were 10 per cent higher at $1.48bn. Restructuring and other special charges amounted to $519.6m.

Accounts change lifts Scott Paper

By Karen Zagor

THE benefits of an accounting change helped Scott Paper, the world's biggest manufacturer of toilet tissue, to a 9 per cent improvement in third-quarter net income, in spite of lower earnings from its printing and publishing papers business.

Net income was $30.6m, or 41 cents a share, against $28m, or 38 cents, last year. The accounting change contributed about 12 cents to per-share earnings in the latest quarter.

Sales in the three months rose 8 per cent to $1.2bn.

Nine-month net income was $122.4m, or $1.65 including accounting change gains of about 36 cents a share. Last year, earnings were $87.8m, or $1.19. Sales rose 5 per cent to $3.7bn.

Advertising improvement hoists Knight-Ridder

By Alan Friedman

KNIGHT-RIDDER, the Miami-based media group that publishes 29 daily newspapers in the US, said improved advertising revenues contributed to a 10.9 per cent rise in third-quarter net profits, to $31.4m.

The profit, which translates into earnings per share of 57 cents, up from 54 cents a year ago, was struck on total operating revenues up 3.7 per cent at $564.85m.

Mr Robert Singleton, chief financial officer, said third-quarter results included the best newspaper advertising revenue performance since 1990. He warned, however, that the recession was not yet over.

Newspaper advertising revenues were 2.3 per cent improved year-on-year. Classified advertising posted a 2 per cent gain and general advertising 5.6 per cent.

On Wall Street, Knight-Ridder's shares fell $⅜ to $57⅝.

● Times Mirror, the media group that owns the Los Angeles Times, lifted third-quarter net income by 7 per cent to $43.8m, or 34 cents a share. Revenues were $914.4m, against $889.5m.

MCI Communications up on strong traffic growth

By Martin Dickson

MCI Communications, the second-largest US long-distance telecommunications group, yesterday reported a 16 per cent increase in third-quarter earnings, thanks to strong traffic growth in spite of the weak US economy.

The company reported earnings of $154m, or 58 cents a share, up from $133m, or 51 cents, in the same period of last year, while revenues rose 11 per cent from $2.4bn to $2.68bn.

The company said its traffic – which has been growing significantly faster than the industry average – rose nearly 15 per cent compared to last year. Yesterday's results were towards the upper end of analysts' expectations.

MCI said it expected to take a fourth-quarter one-time charge of $45m because the realignment of its business units from a geographic focus to a market focus.

It added that fourth-quarter revenues would probably be $60m, less set-up costs, from the licensing of its intelligent network platform to a consortium of Canadian telecommunications companies.

Downturn at Marsh & McLennan

By Nikki Tait

MARSH & McLennan, the world's largest insurance broker, yesterday reported a small decline in third-quarter profits, to $69.7m after-tax.

This compares with $74m in the same period a year ago, and translates into earnings per share of 97 cents, down from $1.02.

Marsh, based in New York, also takes in the Putman Group investment services business and the Mercer employment benefits operation.

Third-quarter operating profits amounted to $125.1m, against $133.4m in the same period of 1991. Revenues totalled $730m, up from $679m.

The latest figures brought after-tax profits to $251.7m for the first nine months of the year, little different from the $251.3m recorded at this stage last year.

INTERNATIONAL CAPITAL MARKETS

Short-dated yields suffer from interest rate cuts

By Richard Waters in London and Patrick Harverson in New York

ACTUAL and anticipated interest rate cuts across Europe *helped short-dated yields take another lurch downwards yesterday*, though a correction began to be felt in some bond markets after the heady advances of recent days.

GOVERNMENT BONDS

The Bundesbank accepted some bids at its latest repurchase agreement tender at 8.75 per cent, with others at 8.80 per cent, confirming hopes created on Tuesday that it was about to shift rates lower from *the previous 8.90 per cent fixed* rate repo. Although this represented another significant step down, it left the more optimistic market participants disappointed, helping to explain the lack of further gains in the bund market yesterday.

Yesterday's news of M3 money supply growth of 9.1 per cent in September – a figure distorted by the large-scale intervention by the Bundesbank to support several European currencies – *left the* bond market largely unmoved. Though the figure was lower than some had expected, it was widely seen as irrelevant.

The Euromark futures contract rose sharply as the market looked for further reductions in German rates, though it fell back later. Having opened at 91.87, the December contract moved up to 91.93, anticipating interest rates nearly as low as 8 per cent by the end of the year, before dropping back to 91.79.

The bund futures contract followed a *similar pattern* on heavy volume, rising from 91.83 to 91.70 and then slipping back to 91.37.

■ THE Bundesbank's actions helped to provoke a series of interest rate cuts across the "core" European markets which were *not hit by recent* ERM turbulence.

In a co-ordinated move, Belgium and the Netherlands cut their key money market rates. Belgium's intervention rate came down by 15 basis points to 8.75 per cent and its discount rate to 7.75 per cent, a fall of a quarter of a point, while the Netherlands also engineered quarter-point cuts in its key rates.

French overnight interest rates slipped below 10.5 per cent for the first time since the currency crisis broke around the French franc. Austria cut its key interest rates by a quarter of a point, while Sweden's Riksbank reduced its marginal lending rate to 13.5 per cent from 14.5 per cent.

Encouraged by these moves, investors in most continental European markets continued to move into shorter-dated *paper in anticipation of further* German monetary easing. Against this background, longer-dated bonds weakened later in the day, giving up some of their recent gains.

■ CONFIRMATION that the *UK is embarking* on a course intended to pull it quickly out of recession gave a further boost to the gilt market yesterday, leaving investors with the unusual sight of gilts continuing to advance strongly in tan*dem with the stock market*.

Gilt investors preferred to disregard the potentially inflationary consequences of a rush for growth, looking instead for *further interest rate cuts. The* short sterling futures contract *opened up more than a quarter* of a point and rose another 17 basis points to 93.47 in the euphoria, before slipping to 93.24 by the close.

Stronger-than-expected retail sales and profit taking also hit *longer-dated bonds*. Medium-maturity paper jumped as much as a point and a half before losing ground. This still left the spread between 10-year *gilts and bunds* even narrower at around 120 basis points, a level widely considered unsustainable.

■ AFTER three days of heavy selling, US Treasury prices were *pushed higher* by short-covering, bargain-buying and the announcement of smaller-than-expected note auctions.

In late trading, the bench*mark 30-year government bond* was up 13/32 at 95 23/32, yielding 7.614 per cent. The two-year note was also firmer, up 1/8 at 99 15/16, yielding 4.214 per cent.

Traders said early demand was primarily a technical reaction to recent steep declines, with speculative players taking *advantage of lower prices* and short-sellers buying Treasuries to cover their positions. Prices gained further ground when the Treasury announced only a *slight increase* in the amount of two-year and five-year notes it will auction next week.

The underlying mood of the market remained subdued, with investors nervous about the fiscal implications of a *Democratic presidency*. However, analysts said those concerns may now be priced into bonds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.3481	+0.083	8.73	8.73	8.92
BELGIUM		8.750	06/02	103.9500	-0.100	8.13	8.35	8.63
CANADA *		8.500	04/02	103.8900	+0.450	7.925	7.94	7.78
DENMARK		9.000	11/00	100.0500	-0.025	8.98	9.50	9.32
FRANCE	BTAN	8.500	03/97	100.6790	+0.072	8.28	8.73	8.82
	OAT	8.500	11/02	101.3100	+0.220	8.29	8.55	8.63
GERMANY		8.000	07/02	104.1500	-0.265	7.38	7.45	7.61
ITALY		12.000	05/02	90.4650	-0.410	14.311†	14.76	13.96
JAPAN	No 119	4.800	06/99	100.2785	-0.127	4.74	4.72	4.84
	No 145	5.500	03/02	104.1873	-0.102	4.86	4.84	4.82
NETHERLANDS		8.250	06/02	104.2800	-0.300	7.60	7.70	7.87
SPAIN		10.300	06/02	87.8500	+0.100	12.51	13.13	12.57
UK GILTS		10.000	11/96	109-18	+10/32	7.23	8.25	8.85
		9.750	08/02	109-06	+1 1/32	8.35	8.89	9.14
		9.000	10/08	100-12	+21/32	8.96	9.16	9.23
US TREASURY *		6.375	08/02	97-10	+29/32	6.75	6.56	6.48
		7.250	08/22	95-23	+20/32	7.61	7.55	7.36
ECU (French Govt)		8.500	03/02	97.5300	+0.160	8.89	9.28	9.28

London closing, *denotes New York closing session · Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal · Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15	Year ago	High *	Low *
Govt Secs	92.90	92.20	91.58	92.03	90.57	86.38	92.90	85.11
Fixed Interest	105.93	105.18	105.28	105.15	104.78	96.21	106.46	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 106.46 (14/9/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14
Gilt Edged Bargains	168.6	149.0	166.4	126.8	138.6
5-Day average	148.9	144.2	140.7	136.3	135.7

Indices: SE activity 1974

Regulators prepare for new approach to conglomerates

By Richard Waters

SECURITIES watchdogs from around the world will next week unveil their views on how financial conglomerates should be regulated, revealing a difference in approach to that broadly favoured by banking regulators.

In a paper to be presented at the annual conference in London of the International Organisation of Securities Commissions (Iosco), the regulators will outline a series of principles for overseeing diverse financial groups.

The regulation of such entities – *which combine businesses* regulated by different agencies, as well as businesses which fall outside the scope of regulation – remains one of the most vexed questions for financial supervisors.

Banking regulators, through the Basle committee on banking supervision, have opted for an approach based on consolidation of the various busi*nesses in a group, with a broad* capital adequacy test applied to the group as a whole.

The securities regulators, on the other hand, will advocate a more qualitative test, rather than this rigid consolidation process. This would include assessments of such things as the management and structure of financial conglomerates, with appropriate limits set on intra-group exposures to try to limit any contagion between *different parts of a group* if one part experienced difficulties.

The paper, produced by Iosco's technical committee, chaired by Mr Richard Breeden, chairman of the US Securities and Exchange Commission, is one of *a number* of initiatives due to be announced at the Iosco meeting, which will be attended by more than 500 securities regulators from around the world.

The regulators are also due to *issue a statement on money* laundering, which will provide guidance for exchanges and broker-dealers on how to combat the use of securities and futures markets to launder "black" money.

They are also expected to endorse the auditing standards agreed by the International Auditing Practices Committee.

$300m Danish offer struggles against soft US market

By Tracy Corrigan

WIDER dollar swap spreads temporarily shifted attention to the Eurodollar bond market yesterday.

The Kingdom of Denmark braved unfavourable market conditions to launch a $300m *three-year deal, taking advan*tage of a rare swap opportunity.

INTERNATIONAL BONDS

However, investor demand remains firmly focused on the D-Mark bond market.

A batch of sovereign borrowers is still eyeing that sector in the wake of the UK's DM5.5bn five-year deal, priced yesterday.

The coupon was set at 7⅛ per cent, with a fixed re-offer price of 99.96, to yield 10 basis points above the five-year German government paper.

In a bout of euphoria after the deal was freed to trade, the spread tightened to seven basis points over the curve, but profit-taking soon pushed the spread back to 10 basis points.

Meanwhile, Denmark's $300m three-year issue, arranged by Goldman Sachs, struggled against a soft US bond market.

A change in sentiment on US interest rates has both improved swap market condi*tions and weakened the bond* market. Expectations that interest rates may have reached their cyclical low and could start rising soon, fuelled by worries ahead of next month's elections, have encouraged more companies to lock in fixed-rate funds while absolute rates are at their low point.

Consequently, a spate of fixed-rate payers has appeared in the swaps market, causing three- and four-year swap spreads to widen to about 60 *basis points*.

The same expectations, meanwhile, are discouraging investors from buying short-dated bonds.

Denmark's three-year deal was considered a touch aggressive, offering 41 basis points over the comparable Treasury yield.

However, Denmark, with a strong credit rating of AAA from Moody's and AA-plus from Standard & Poor's, appears to be emerging unscathed from the financial crisis besetting the rest of Scandinavia, and has less borrowing to complete.

In addition, some investors were attracted to the deal by a positive view on the currency.

The spread widened by one basis point to 42 basis points over the curve. The proceeds of the issue are believed to have been swapped into dollars at around 15 basis points under Libor.

Elsewhere, Cheltenham & Gloucester joined the list of UK building societies to raise Tier One capital through an issue of permanent interest bearing shares (Pibs).

The £100m issue of irredeemable notes, arranged by Salomon Brothers, was priced to yield 270 basis points *over the yield of the 9 per cent* gilt due 2008, and was placed solely with UK institutions.

The deal met strong demand from UK insurance companies, which need to hold this type of paper in order to fund endowment policies, according to the issue's lead manager. There is a lack of paper at the long-end of the sterling bond market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kingdom of Denmark	300	6.25	101.0075	1995	1⅞/1⅛%	Goldman Sachs Int.
D-MARKS						
United Kingdom	5.5bn	7.125	101.71	1997	2/1⅛%	Deutsche Bank
STERLING						
Cheltenham & Gloucester(a)	100	11.75	100.962	-	-	Salomon Bros.Int.
FRENCH FRANCS						
Electricité de France(b)	1bn	0	44.17	2002	30bp	CCF
Soc.Gén.Acceptance(c)§	400	0	100	2000	-	Société Générale
SWISS FRANCS						
Land Steiermark	150	6.25	101.75	2002	1⅞/1⅛%	Wirtschafts-& Privatbk
Ahjikan Co.	12	6.625	98.625	1997	1½/1⅛%	Sanwa (S)(Schweiz)

Final terms and non-callable unless stated. §Convertible. a) Undated, irredeemable permanent interest bearing shares (PIBS). b) Fungible with existing FFr2bn bonds 40 days after payment. c) Each FFr11,500 bond is convertible into cash from 23/10/93 by formula: FFr10,000 × (conv.date CAC 40)/(23/10/92 CAC 40) × n, where n = 0.95 for 1st year and increases by 0.02 annually to 1.08. Final redemption is max.of formula or FFr17,000.

Sequal trade system to be launched today

By Richard Waters

THE SECOND of three electronic trade confirmation systems, designed to help institutions confirm securities trades in Europe more efficiently, will be launched today in the face of complaints that it will stifle competition.

The London Stock Exchange's Sequal is one of three systems approved by a group of investment institutions, which set out a year ago to promote better pre-settlement systems in Europe.

However, the exchange's plans have prompted a complaint to the UK's Office of Fair Trading from a rival system provider, the Thomson group, on the grounds the exchange will make its system compulsory for its members.

The exchange said the complaint was based on a misunderstanding, though it accepted it had helped provoke the confrontation. Sequal is due to replace Checking, the trade reporting system which is compulsory for exchange members. By implication, Sequal will also be compulsory.

The exchange said it would not take a decision on the issue for some time. Until it does, the OFT will have no new grounds on which to investigate its operations.

The situations of the three trade confirmation systems is complicated by the different regulatory position of the various providers. The exchange, for instance, claims a duty under the Financial Services Act to ensure trades are completed, forcing it to require brokers to use its own trade confirmation system.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	76	1	3
Other Fixed Interest	11	1	3
Commercial, Industrial	481	131	809
Financial & Property	356	38	413
Oil & Gas	26	15	44
Plantations	2	1	6
Mines	54	14	79
Others	69	17	21
Totals	1,075	218	1,375

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
100p	F.P.	-	110p	105½p	Falcon Ins 7½ Zero Div Pf	109	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct. 12
- Last Dealings Oct. 23
- Last Declarations Jan. 14
- For settlement Jan. 25

3-month call rate indications are shown in Saturday editions. Calls in ASDA, Kelon, Kwik-Fit, Laporte, McCarthy & Stone, Ocean Wilsons, P & P, Proteus Intl. and Stakis.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option	CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Oct 21	Day's change %	Tue Oct 20	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	127.93	+0.29	127.56	1.49	10.69
2	5-15 years (25)	144.01	+0.64	143.10	1.30	11.85
3	Over 15 years (8)	148.56	+0.67	147.57	2.16	9.97
4	Irredeemables (6)	168.51	+1.31	167.33	4.25	8.83
5	All stocks (61)	140.70	+0.53	139.95	1.50	11.42
	Index-Linked					
6	Up to 5 years (2)	181.48	+1.13	179.46	0.23	3.68
7	Over 5 years (10)	163.89	+0.64	162.81	0.71	4.04
8	All stocks (12)	165.08	+0.73	163.89	0.65	3.96
9	Debs & Loans (62)	119.64	+0.62	118.90	1.89	10.11

AVERAGE GROSS REDEMPTION YIELDS

			Wed Oct 21	Tue Oct 20	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	7.03	7.24	8.76
2		15 years	8.46	8.53	9.56
3		20 years	8.74	8.81	9.46
4	Medium Coupons	5 years	7.47	7.59	9.84
5		15 years	8.86	8.95	9.72
6		20 years	9.02	9.10	9.58
7	High Coupons	5 years	7.69	7.83	10.04
8		15 years	9.21	9.24	9.75
9		20 years	9.33	9.38	9.73
10	Irredeemables†		9.12	9.25	9.76
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs.	2.68	3.02	3.82
12	Inflation rate 5%	Over 5 yrs.	3.84	3.91	4.23
13	Inflation rate 10%	Up to 5 yrs.	1.86	2.20	3.17
14	Inflation rate 10%	Over 5 yrs.	3.68	3.72	4.04
15	Debs & Loans	5 years	8.85	8.92	11.47
16		15 years	10.20	10.32	11.26
17		25 years	10.39	10.44	11.06

† Flat yield.

Thank You...

...to the 21,103 readers of the Financial *Times* worldwide who completed our reader questionnaire recently.

The results produced a wealth of information about our readers; some we might have predicted, some we certainly did not.

We were not surprised to see that 48% (44%*) of you are company directors but we were intrigued (and gratified) to see the range of decision-making you cover: 38% are responsible for banking services, 30% for advertising, marketing and PR and 22% for executive recruitment.

When it comes to company purchases, 51% of you decide which computers to buy, 23% company vehicles and 22% business premises and sites. And you work for companies of all sizes: 20% for under ten employees, 15% for over 1,000 employees, for example.

Reflecting the FT's international coverage and readership, 79% of you are involved in your companies' international operations.

As you would expect, such positions of responsibility carry commensurate rewards: your salaries average $126,000 ($104,000), 60% (54%) of you have two or more cars, 56% (50%) a computer at home and 24% (19%) a camcorder.

But it's not all spending: 81% (86%) have invested in shares, and 70% (74%) have a bank or building society savings account. 27% of our Saturday readers have investments, excluding the main home, of over $450,000, and a second home.

You are an active group: not surprisingly given an average age of 45. Of the 78% who play sport, 48% go swimming, 21% jogging or running and 19% play tennis. Justification perhaps for the 92% who drink wine, 76% whisky and 58% champagne to recover from these exertions.

It is a fascinating and comprehensive picture which will be invaluable to us in planning the FT's future development.

Thank you once again to everyone who took the time to contribute.

* Figures in brackets are for the Saturday paper. The main figures quoted are for weekday readership.

No FT... no comment.

DTI proceeds against former PPI directors

By David Barchard

THE DEPARTMENT of Trade and Industry has launched proceedings to have six of the former directors of Polly Peck International disqualified from becoming company directors again.

Those named in the DTI application are believed to include both former non-executive and executive directors in the company. However, Mr Asil Nadir, the former Polly Peck chairman, is not included in the disqualification action.

The DTI apparently takes the view that he is already disqualified from holding a company directorship because he is an undischarged bankrupt.

The DTI's application is due to be heard in the companies court today.

Polly Peck, a fruit, electronics and leisure conglomerate with subsidiaries across the world, was one of the stars of the London Stock Exchange for most of the 1980s but collapsed with debts of £1.3bn in October 1990.

Although most of Polly Peck's main assets have been sold by the group's administrators, creditors have been warned that they might eventually receive as little as 11p in the pound.

Administrators are still seeking to gain access to assets held in companies in the north of Cyprus.

The most recent sale was announced in August, when a Mexican investor group agreed to pay $499m (£306m) for PPI Del Monte Fresh Produce, the fresh fruit business. The agreement represented the administrators' last hope to secure a large amount of cash to pay Polly Peck's 23,000 creditors.

Aer Lingus set for deep cuts in network

By Tim Coone in Dublin

AER LINGUS, the Irish state-run national airline, is poised to make substantial cuts in its route network in an effort to stem mounting losses – currently running at I£40m (£43.4m) per year.

The company confirmed yesterday that "an intense review of operations is underway", but refused to comment on local media reports that the cuts could result in more than *1,000 redundancies from its* 6,500 workforce.

A board meeting today is to hear a report on the review, which is thought to be near completion, but no decision is expected until the next board meeting in November.

Aer Lingus recently suspended services to Paris and Amsterdam via Manchester, as well as its Dublin-Gatwick route.

Mr Ray Burke, a former industry minister, and prominent backbencher in the ruling Fianna Fail party, yesterday called for a cash injection from *the government.*

The company's air transport operations have been in the red since 1988. Losses rose to I£19m in 1989-90, and deepened to I£42.5m in 1990-91 in the wake of the Gulf war and recession.

Cost-cutting exercises shaved losses to I£37.9m for the financial year to March 31 1992, but analysts predict a renewed deterioration to I£40m for the current year.

There is growing realisation within Aer Lingus that a new capital injection would not resolve the problems without substantial restructuring.

The company suffered a setback in June when the GPA *aircraft leasing group aborted* its flotation. Aer Lingus had hoped to raise up to $45m (£36.1m) in selling part of its 20m shareholding.

The Dublin-Heathrow route, one of Aer Lingus's principal sources of income, has experienced intense price competition since UK-Ireland services were liberalised in 1985. British Airways decided to withdraw *services to Ireland in January* 1991 because of losses.

One glimmer of hope is if the government drops the "Shannon stop-over" obligation on all transatlantic flights in and *out of Ireland. Aer Lingus said* it was unable to open new routes from Dublin to the US West Coast as long as there was an obligatory Shannon stopover.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Airflow Streamlines, Craig & Rose, Essex Water, Ferguson Intl, London Atlantic Inv Trust, Sketchley, Smith (James) Estates, Suffolk Water

Finals- Albert Fisher, Castle Comms, Cradley.

FUTURE DATES

Interims-

Abtrust New Thai Inv	Oct. 28
British Airways	Nov. 17
CML Microsystems	Nov. 17
French Connection	Oct. 30
Gresham House	Oct. 30
Powerscreen Intl	Nov 3
Reed Intl	Oct. 30
SPLIT	Oct. 23
SPRAIT	Oct. 23
Warnford Inv	Oct. 27
Westbury	Nov. 5
Finals-	
Bridport-Gundry	Oct. 27
Contra-Cyclical Inv	Oct. 29
Cooper (Frederick)	Nov. 3
Fairline Boats	Nov. 24
GR	Oct. 23

Alexandra Workwear swings back to black

By Peggy Hollinger

ALEXANDRA WORKWEAR, a manufacturer and distributor of work clothes, returned to the black with pre-tax profits of £672,000 in the first half, against losses of £247,000 last time.

The swing was due largely to the absence of £1.5m in restructuring costs taken as an exceptional item in 1991.

Operating profits for the 28 weeks to August 15 were 33 per cent lower at £1.8m, on sales down from £31.4m to £30.9m.

Mr Gerald Dennis, chairman since April, said trading profits had been hit by the decision to freeze prices to maintain sales.

However, selected price rises had been introduced in the second half which would add at least £2m to turnover next year.

The board was upbeat about the outlook for the current year, saying that further gains would be made through debt repayments and price increases.

Trading continued to be difficult, however, with volumes remaining flat.

The interim dividend is maintained at 1.8p. Earnings per share were 1.3p, compared with losses of 0.5p.

Mr Dennis said the uncovered dividend had been maintained as "a signal of the confidence we feel about the way the business is going".

The balance sheet had been strengthened, with debt down by £2.6m to £13.5m and gearing reduced from 87 to 63 per cent.

The company aimed to have gearing down to between 40 and 50 per cent by the year end.

Stocks had been reduced by 8 per cent to £15.2m. A further £2.5m would be trimmed in the second half and Alexandra planned to cut stocks to £10m by the end of next year.

The group's businesses in France and the Netherlands had about broken even when taken together.

Alexandra, which claims more than 30 per cent of the UK market for workwear, has suffered badly in the past two years under the burdens of capital intensive restructuring and the sharp economic downturn.

In 1990, the group had recorded interim profits of £4.1m.

Mr Julian Budd, finance director, said that capital spending requirements for the foreseeable future would be minimal.

"We must not look at that investment programme negatively," he said.

"We have been able to maintain turnover because we could supply the services we needed."

World slowdown strips gloss from ICI

The company is struggling and poised to deliver more bad news, reports Paul Abrahams

NEXT THURSDAY, Imperial Chemical Industries, Britain's biggest manufacturer, reports its third-quarter results. They will make grim reading.

Analysts, who had underestimated the duration and severity of the world economic slowdown, have been busy cutting their estimates for the group's full-year pre-tax profits from £758m to as low as £600m. That compares with peak profits of £1.53bn in 1989.

ICI is proposing to demerge itself, separating its pharmaceuticals, agrochemicals and most of its specialities operations into ICI Bioscience, leaving industrial chemicals, paints, materials, explosives and regional businesses in a new ICI.

Both future businesses have problems. ICI Bioscience is faced with falling earnings from its pharmaceuticals division, while the new ICI is grappling with considerable difficulties in its industrial chemicals operations. Materials and specialities divisions are also suffering weak demand and lower prices.

Most of the new ICI's operations are suffering from the world slowdown. Trading over the past quarter for all of the large chemical groups has been terrible. Dow, BASF and Rhône-Poulenc have all issued gloomy trading statements. The slowing German economy has added to the sector's woes. For ICI, July and August were weaker than normal and there was no tangible upturn in September, according to Kleinwort Benson, the broker.

Industrial chemicals, allocated to the new ICI, was once the company's cash-cow. In 1989, it generated operating profits of £452m on turnover of £3.8bn. Kleinwort Benson believes the division could make a profit this year of £45m on turnover of £3bn. The operations could well be in losses this quarter.

The paints division, which represented about 12 per cent of the group's 1991 sales and 11 per cent of operating profits, is also suffering. ICI is the world's largest paint producer, but poor demand in Europe and a weak dollar have hit volumes. The dismal state of the UK's DIY market has done little for the decorative paints business.

A recent seminar on the business suggested there could be rationalisation among the paints division's 60 sites around the world. Mr Albert Richards at Credit Suisse First Boston, believes possible disposals include the steel coil, powder paints, wood coatings and a small marine business. These represent about 10 per cent of sales. This week the division sold its aerospace coatings business to Courtaulds, the UK materials group.

ICI's own materials division lost £20m last year on turnover of £2bn. Hoare Govett, the broker, expects the business to make operating profits of £36m this year. The films operations are probably losing money and overcapacity in acrylics is pulling down margins. The advanced materials business is being downsized.

Meanwhile, ICI Bioscience's future operations also face problems. The pharmaceuticals division, which contributed 12 per cent of turnover last year and 52.1 per cent of profits, is beset by difficulties.

Last year the division made operating profits of £538m on turnover of £1.59bn providing margins of 33.9 per cent – an impressive figure, even by pharmaceuticals industry standards. Much of that profit was generated by Tenormin, a beta-blocker used for cardiovascular treatment, which had sales last year of more than £600m.

However, Tenormin's patents expired during September last year in the US, which provided about 45 per cent of sales. The company had expected sales to fall 50 per cent over two years as its position was attacked by generic competitors. But sales have fallen further, faster than expected: July prescriptions were down 45 per cent on the previous year.

ICI did, at least, expect to lose Tenormin revenues. This year's unexpected blow was the withdrawal, because of side-effects, of Temafloxacin, an antibiotic the company licensed from Abbott of the US to fill a gap in its product line.

The division is trying to compensate with new products such as Zoladex, Zestril and Diprivan, but their combined sales were less than £400m last year. The division's profits and turnover are likely to be lower than last year.

Grim outlook: ICI chairman Sir Denys Henderson

ICI Bioscience's agrochemicals and seeds businesses, the world's second largest after those of Ciba-Geigy of Switzerland, are also suffering. The division generated 10.3 per cent of ICI's sales and 13.9 per cent of operating profits last year.

In the short-term, sales have been hit by poor weather. In the longer term, volumes are likely to be hit by recent reforms of the European Community's common agricultural policy. The division could make a loss in the second half – always its weakest six months – of £19m.

Specialities businesses are also being affected by the recession. Last year they generated 9.6 per cent of sales and 3.4 per cent of profits. They may make £60m this year, according to Kleinwort Benson.

Not all the news for ICI is bad. More than 80 per cent of the group's revenues come from outside the UK, so the devaluation of sterling will contribute to profits. Barclays de Zoete Wedd, the broker, reckons this could add £120m to ICI's bottom line next year.

Other good news includes the European Commission's decision to allow its assets swap of fibres for Du Pont's acrylics businesses. This provides £250m in cash and opens the way for other deals. BASF has said it has considered buying ICI's polypropylene operations.

Nevertheless, the outlook for ICI remains poor. The market will be watching ICI carefully over the next few months to see whether the group makes any further unexpected moves.

Crown tries again to sell RFM

By Raymond Snoddy

CROWN Communications said yesterday it had entered into a second conditional agreement for the sale of RFM, its loss-making French commercial radio network.

The first conditional sale to a consortium led by NRJ, a rival radio group, was rejected by the Conseil Superieur de l'Audiovisuel, the regulatory body.

Under the new arrangement the leading shareholder would be Mr Alain Ayache, a controversial right-of-centre magazine publisher.

Mr Ayache announced earlier this week he would have 32.5 per cent of RFM with Crown holding 20 per cent, NRJ 22.5 per cent and Credit Mutuel d'Artois, a French bank, 25 per cent.

Crown, the USM-quoted commercial radio company which owns the London Broadcasting Company, said yesterday it considered it likely that the new deal would meet with CSA approval.

CSA officials have emphasised to French newspapers that no dossier on the issue had been submitted and no transfer of shares in French radio stations were valid without CSA approval.

RFM is currently under the direct control of a provisional director appointed by the French courts – something that happened without the knowledge of the Crown board.

Crown directors said yesterday they were confident "that his appointment will not impede the proposed sale." It was not clear last night whether the provisional administrator had been informed of the conditional sale.

Wetherspoon float gives £46m tag

Shares in JD Wetherspoon, the chain of 44 Greater London pubs which offers cheap real ale and no music, were yesterday priced at 160p, giving the group a market capitalisation of £45.6m, writes Andrew Bolger.

The flotation price represents a p/e ratio of 12.4p and the notional gross dividend yield is 4 per cent.

Some 14.68m shares, representing 51 per cent of the group's enlarged share capital, have already been firmly placed with institutions.

A further 5.3m shares have been provisionally placed, but are subject to clawback by financial intermediaries for sale to private clients. The intermediaries' offer will close next Tuesday. Dealing will begin on Friday October 30.

The flotation was sponsored by Kleinwort Benson.

See Observer

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberforth Split ......int	2‡	Dec 4	2	-	9
Alexandra Work ......int	1.8	Dec 4	1.8	-	3.6
Boxmore § ......int	1.15	Dec 9	1.075*	-	3.475*
Brit & Amer Film ......int	3.8	Nov 27	3.375	-	15.695‡‡
Chest'field Prop ......int	3.5	Dec 31	7	-	18.5
City Oxford Inv ......int	1.2†☆	Nov 30	1.2	-	4.9
English Nat Def ......int	2.55	Dec 4	2.55	-	11.3
English Nat Pref ......int	5	Dec 4	5	-	16.2
Exmoor Dual ......fin	1.85	Dec 4	1.84	1.85	1.84
Exmoor Dual Inc ......fin	2.75	Dec 4	2.75	10.55	10.5
House of Lerose ......int	3	Dec 4	3	-	10.3
I&S UK Smaller ......int	1	Jan 6	-	-	2
Micklegate ......fin	nil	-	0.5	nil	0.5
Murray Split Cap ......fin	3.3	Dec 15	-	11.6	-
Scott Amer Inv ......int	1.09★	Jan 5	1.04	-	4.12
Smiths Inds ......fin	7.15	Jan 1	6.8	11.25	10.7
Venturi Inv Tst ......int	1.46	Nov 30	1.4	-	3.26
Wensum § ......int	0.575	Nov 27	1.15	-	3.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Makes 4p to date. ‡‡Included 5p bonus. ☆Makes 2.4p to date. ★Makes 3.24p (3.08p) to date.

MSR will not complete rig buy

By Roland Rudd

REPORTING A £1.9m pre-tax loss for the six months to June 30, Midland and Scottish Resources said it would not exercise its option to complete the purchase of the Emerald Producer offshore rig.

This means that Davy Corporation shareholders will not receive the remaining £54m, or 45p a share, due under the takeover of the company by Trafalgar House, the engineering and construction group.

Trafalgar made payment to Davy shareholders conditional on MSR, the oil production company, completing the purchase from Davy of the Emerald Producer.

MSR's Emerald Field Contracting subsidiary does not expect to secure the first class bank guarantees needed to obtain a Section 10 ship certificate from the Department of Trade necessary to complete permanent finance of the rig.

The oil production company will continue to charter the Emerald Producer from Trafalgar at $65,000 (£39,800) a day.

MSR's £1.9m loss compares with a £3m deficit last year. For the year to 1991 the group incurred a £46.4m loss after a £37.5m exceptional charge relating to the delay in completing the rig.

Turnover was halved to £1.9m and the cost of sales declined to £1.4m (£4.8m). Losses per share were 0.93p (1.3p).

NEWS DIGEST

Volume fall hits House of Lerose

A DECLINE in volume from its branded businesses, both in the UK and the Netherlands, was the main reason for a sharp fall, from £425,000 to £51,000, in pre-tax profits at House of Lerose in the first half of 1992.

Turnover at the women's wear group dropped from £7.8m to £6.47m. Earnings per share fell sharply from 4.9p to 0.6p, but the interim dividend is held at 3p.

Mr Martin Rose, chairman, said efforts were being concentrated on the design and marketing of products. It was unlikely these would have a significant impact until later in 1993.

Net cash balances were £8.5m at June 30, against £6.8m six months earlier. A further £1.1m has been added by a pension fund surplus.

City of Oxford asset value dips

Over the six months to September 30 net asset value per share at City of Oxford Investment Trust fell from 19.6p to 17.6p.

For the zero dividend preference shares the value improved from 72.4p to 77p.

Net revenue for the half year came to £781,000 (£627,000) for earnings of 2.6p (2.83p).

The second interim dividend is 1.2p on increased capital, making an unchanged 2.4p to date.

British & American Film lifts interim

British & American Film Holdings saw pre-tax profits decline in the half year to June 30.

Pre-tax profit came to £597,000 (£690,000) and earnings per share were 16.21p (18.58p).

The interim dividend is lifted to 3.8p (3.375p) and directors intend to maintain that rate of increase in the final. The prior year's total was 15.695p and included a bonus of 5p.

Net asset value, excluding film rights, at June 30 was 898.5p, up from 880.8p six months' earlier and the 841.1p of 12 months ago.

By October 5, however, the value of investments and cash declined to £25.4m, representing 862.7p per share.

Micklegate losses increase to £4.75m

Micklegate Group, the property developer, finished the year to April 30 with a pre-tax loss of £4.75m, after exceptional provisions of £3m.

The deficit compared with £806,000 last time when exceptionals were £869,000.

Losses per share were 21.84p (2.79p).

Exceptional provisions comprised two items: £2.28m (£869,000) in respect of properties owned by the group, and £732,000 to write down the debt due from an associate.

Certain of the group's bankers have agreed in principle to defer and subordinate part of the bank borrowings and to put the balance of their loans on a term loan basis.

A proposal to reduce the share premium account will be put to an extraordinary meeting on November 18.

PUBLIC WORKS LOAN BOARD RATES

Effective October 20

	Quota loans*		
Years	EIP†	A††	maturity§
1			7 3/8
Over 1 up to 2	7 3/8	7 3/8	7 1/2
Over 2 up to 3	7 1/2	7 1/2	7 5/8
Over 3 up to 4	7 1/2	7 1/2	7 7/8
Over 4 up to 5	7 5/8	7 5/8	8 1/8
Over 5 up to 6	7 5/8	7 3/4	8 3/8
Over 6 up to 7	7 3/4	7 7/8	8 3/4
Over 7 up to 8	7 7/8	8	9
Over 8 up to 9	8	8 1/4	9 1/4
Over 9 up to 10	8 1/4	8 3/8	9 5/8
Over 10 up to 15	9	9 3/8	10 1/4
Over 15 up to 25	10 1/8	10 3/8	10 3/8
Over 25	10 3/8	10 3/8	10 3/8

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

COMPANY NEWS: UK

Dissidents come under fire at Hoskins

By Philip Rawstorne

DISSIDENT shareholders in Hoskins Brewery, the Leicester-based real ale concern, were yesterday accused of trying to gain control of the company without making a bid for the shares.

In a letter to shareholders, Mr Barrie Hoar, chairman, said that their investments in the company would be "exposed to a significant level of risk" if the dissidents succeeded in their attempt to remove him and his brother, Mr Robert Hoar, from the board.

Resolutions to replace the brothers – whose family holds 30 per cent of Hoskins - with Mr Richard Cattermole, head of Ryan Elizabeth, a pubs and hotels operator, and one of his associates, Mr JE Lea, will be put to the vote at an extraordinary meeting on November 18.

The meeting was requisitioned by a group led by Mr Cattermole, a 5 per cent shareholder, and Mr Dennis Bailey, a director of Hichens Harrison, the stockbrokers, and a former director of Hoskins.

According to Mr Barrie Hoar's letter, Mr Bailey was asked to resign from Hoskins' board in November last year.

During his four years as a director, Mr Bailey was involved in advising Hoskins on the acquisition of Netherton Ales, which resulted in a loss of £250,000, and of Tatlocks, a catering company, which resulted in a loss of £380,000, the letter states.

Mr Bailey had also proposed the acquisition of Edencorp Leisure, which owned a Portuguese leisure centre, and was now in compulsory liquidation and under investigation by the Department of Trade and Industry.

The letter adds: "Shareholders in Hoskins have already suffered as a result of Hoskins' brief association with Mr Bailey and Hichens."

Mr Bailey said yesterday that he had resigned from Hoskinson his own initiative after a boardroom row over the manner in which Mr Barrie Hoar was negotiating the sale of the Tatlocks business to a former director.

"Mr Hoar is obviously attacking me because I supported Mr Cattermole's demand for an EGM," he said.

Mr Hoar's letter to shareholders also queries Mr Cattermole's business record.

Of various statements that Ryan Elizabeth owned up to 60 pubs and five hotels, it says: "We have only been able to identify 26 pubs and four hotels ... of which seven pubs are closed and not trading, and the hotels are shown in the latest accounts as loss making.

"Ryan's profits were wholly dependent on capitalising interest and the one off sale of lease premiums," it claims.

Mr Cattermole was not available for comment yesterday.

Hoskins recently sold nine pubs for £2.45m to Wolverhampton & Dudley Breweries, leaving it with its brewery and seven houses. Completion of the deal will eliminate its borrowings and leave it with about £750,000 cash.

Morrison sticks to the simple truths

John Thornhill tracks the impressive growth of food retailing's 'fashionable frump'

IN MANY ways Wm Morrison Supermarkets is the "fashionable frump" of the food retailing sector.

Largely unsullied by the temptations of publicity or the fleshpots of the City, the northern grocery chain remains the repository of some simple old-fashioned retailing truths which have served it extremely well since it began trading from a Bradford market stall early this century.

Morrison's strong family culture, its obsession with providing good-value foods at keen prices, and its recent aggressive organic growth have enabled it to prosper in spite of the ever-growing power of the national grocery groups.

While other regional grocers have suffered, Morrison has been able to lift pre-tax profits from £25.7m to £62.6m between 1988 and 1992 and last month reported a 34 per cent improvement at the interim stage. Analysts are forecasting a rise to £84m for the full year.

The company's impressive progress has led many commentators to label it the "Sainsbury's of the North" although in some respects even this compliment underrates its recent achievements. Since the beginning of the year, Morrison's share price has outperformed that of its illustrious southern rival by 19 per cent. Its shares have outperformed Tesco by 47.5 per cent over the same period.

It is, of course, often easier for a smaller and relatively immature company to grow at a faster rate than a much bigger one, but Morrison's recent turn of speed is nonetheless eye-catching.

And even in spite of the strong share price performance, Mr Bill Currie, food retailing analyst at stockbrokers Barclays de Zoete Wedd, claims Morrison is still "the cheapest stock in the sector" predicting it is one of the very few companies likely to sustain 20 per cent earnings growth for the foreseeable future.

"Morrison's offer the deepest range, the best service and the cheapest prices in the sector and that is a pretty powerful combination," he says.

But Morrison has not always received such rave ratings – especially at the beginning of the 1980s when it consistently underperformed its peers.

After opening its first supermarket in a converted cinema in 1962, Morrison grew very slowly in its early years and – in spite of going public in 1967 – was rapidly outpaced by its Yorkshire rivals, Asda and Hillards.

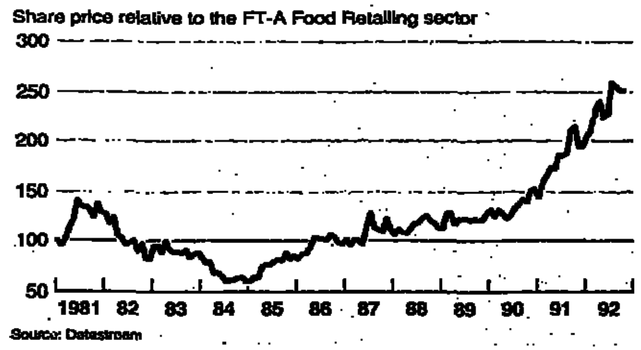
Unlike its competitors, Morrison insisted on buying the freeholds on all its stores and funded expansion out of cashflow. "We were against borrowing until the mid-1980s and were quite happy knowing that nobody could take away what we had got. But I suppose we came round to the view that there was merit in gearing up and speeding the business up a bit," says Mr Martin Ackroyd, finance director.

Confident in the strength of its format and bolstered by the cash from last year's £98m rights issue, Morrison has now markedly accelerated its opening programme and is currently opening stores at a proportionately faster rate than even the likes of Sainsbury and Tesco.

The company currently has 59 stores and says it will open seven or so stores a year for the foreseeable future.

Wm. Morrison Supermarkets

Share price relative to the FT-A Food Retailing sector



Source: Datastream

Joining the great superstore building game comparatively late has given Morrison several advantages. Its geographical concentration in Yorkshire and the north of England has eased its distribution arrangements. And, unlike its competitors, the company does not possess a straggling tail of high street stores.

About a third of Morrison's trading space is now less than three years old enabling the company to operate more efficiently, generate higher margins and better resist competitor openings. Its average store size is 34,000 sq ft stocking about 14,000 lines. "We run the 59 shops as one," says Mr Ackroyd. "We have one product list and most of the product range is based on unitary pricing."

The company is legendry for sites and the average full cost of building its stores is very low at £13m apiece. The company scours northern towns for suitable opportunities, but does not indulge in the sophisticated site selection processes of the national chains. "There is one thing we need when we open a store and that is chimney pots. Where there are chimney pots there are likely to be people," says Mr Ackroyd.

Morrison's believes that its stores should cover their costs – including interest – from day one and immediately contribute to profits. Unlike the national chains, it has also adopted the highly prudent accounting policy of depreciating its land assets.

Mr Ackroyd says he is staggered by some of the prices that some of the other supermarkets pay for their stores.

"Some of the site prices you see being bandied about are incredible. I could not pay those prices and make any money out of them. I can never see the turnover to justify the prices they pay for their sites," he says.

He accepts that Morrison's stores are affected by competitor openings but stresses that "we refuse to allow anyone else to run our business for us". The comparative savings that the company can make in building its stores can be passed to customers in the form of lower prices helping to defend its market share.

"We do not worry about what the competition is doing. There is only one thing that matters and that is providing consistent value. You can never con your customers," he says.

"They are the ones who decide what value means. It might mean free car parking. It might be they like the staff. It might be the products. But every week they look at the bill and feel that is what they have got for their money and they have got to feel satisfied," he says.

Such views and values have been instilled in the company by the chairman, Mr Ken Morrison, who has worked in the business for 40 years and whose family still owns 39 per cent of its shares. "Ken Morrison is the boss first, second and third. He is intimately involved in every aspect of the business," says Mr Ackroyd.

True to the company's priorities, perhaps, Mr Morrison was not available for a tentatively-promised interview – he had gone off to open another store instead. Yet his influence is still the guiding spirit of the company and one of the few reservations expressed by the company's investors is what will happen when he retires.

But judging by the approach of those who are left in the company's headquarters, investors have little to fear.

"Our customers are the only people who matter. If we can satisfy them then I can assure you we will satisfy the shareholders," says Mr Ackroyd.

Boxmore rises 23% to top £2m mark

BACKED UP by the acquisition of Airopak in the latter part of 1991, all operations at Boxmore increased sales and profit for the half year to June 30 1992.

Including £3.64m from Airopak, turnover of this packaging manufacturing group rose from £10.1m to £15.8m and pre-tax profit expanded nearly 23 per cent to £2.05m (£1.67m).

Airopak contributed to operating profit, but its purchase was made out of cash resources which had an affect on interest receivable. Good progress had been made in assimilating it into the group.

The carton division increased sales by 46 per cent, reflecting customer satisfaction and the benefit of recent investment. In plastics they rose 9 per cent before taking in Airopak.

Earnings per share came to 7.3p (6.2p) and the interim dividend is 1.15p (adjusted 1.075p).

Ensor Motors £2.55m buy-out

Ensor Motors, the Mercedes truck dealership, has been bought from Ensor Holdings by Enza Motors, a company formed by its management, for £2.55m.

With help from their advisers, Mr Alec Brown, managing director, and Mr Keith Webb, finance director, put together a finance package involving 3i, International Factors, Bold International Properties and Mercedes Benz group.

NEWS DIGEST

Chesterfield Properties improves

CHESTERFIELD Properties displayed a "modest recovery" in profitability in the first half of 1992, but in view of economic uncertainties the interim dividend is halved to 3.5p.

Turnover moved up to £20.5m (£18.4m) and pre-tax revenue came to £3.39m (£2.37m) for earnings per share of 5.48p (0.75p).

In the equivalent period of 1990 the profit was £7.84m.

The main reason for the improvement was an increase in rental income from £16m to £17.9m.

Profits from the operation of West End theatres fell sharply, the impact of economic conditions being aggravated by fewer American visitors.

Directors pointed out that the level of interest rates would be the factor exerting by far the largest influence on future profitability.

A secondary one would be the cumulative impact of bankruptcies among smaller tenants, which was increasingly noticeable as the recession deepened.

Exmoor Dual asset value dives to 6.6p

A sharp reduction in the value of its investment portfolio, from £17.9m to £12.4m, was reflected in a net asset value per ordinary share of only 6.6p at Exmoor Dual Investment Trust in the year to August 31.

This compared with 89.5p for 1991.

Per income share, net assets came to 61.1p (64p). The figure for the zero coupon preference shares was 163.1p (144.3p).

Gross revenue amounted to £1.49m (£1.5m) but administrative expenses took £230,000 (£191,000) and bank interest payments jumped to £4,700 (£341). Net revenue was £942,700 (£978,000).

Dividends declared for the year are: 1.85p (1.84p) per ordinary share on earnings of 1.88p (1.96p) and per income share a maintained final dividend of 2.75p makes 10.55p (10.5p) for the year on earnings of 10.88p (11.08p).

Wensum in loss and halves interim

Wensum Company, a men's wear manufacturer, is halving its interim dividend to 0.575p after incurring a loss of £46,000 for the six months to July 31.

That stemmed from a reduction in turnover from £4.18m to £2.83m, and compared with a profit of £332,000.

Losses per share were 0.43p against earnings of 2.97p.

Mr Andrew Hughes, chairman, said overheads had been held in firm control against continued poor trading in the high street.

Operating profit was just £10,000 (£403,000).

The corporate clothing division saw the greater decline in turnover as repeat business continued to reflect lower staff numbers. Many customers were also extending the life of uniforms.

Mr Hughes said turnover in Wensum Clothing, the manufacturing division, fell following the loss of GA Dunn, historically one of the most important customers.

However, recovery was on the way as the customer base continued to be broadened, resulting in a strong order book throughout the remainder of the second half and well into the first half of next year.

Modest fall in net assets at Venturi

Venturi Investment Trust reported an undiluted net asset value of 9.69p per ordinary geared share as at September 30, down from 10.03p last time.

Net revenue for the six months to end-September was virtually unchanged at £100,742 (£101,182) for earnings of 1.68p (1.69p) per income share.

The interim dividend goes up from 1.4p to 1.46p.

Better margins for Le Creuset

Trading margins improved at Le Creuset, the French-based but London-listed maker of cast iron cookware and tableware, in the first half of 1992 and pre-tax profit rose by 4 per cent.

Including Screwpull for a full six months, turnover grew 15 per cent to £17.8m. But profits had to bear redundancy charges of £316,000 following relocation, while the comparative first half benefited from the sale of the Paris office.

Also, interest charges increased to £651,000 (£241,000) leaving the pre-tax balance at £1.15m (£1.1m). Earnings per share worked through at 4.6p (4.4p).

Good volume growth was achieved throughout the group. Subsidiaries in the US and UK again improved profits, and the Japanese company also performed to plan.

In the immediate future directors believed modest sales volume increases were achievable. They would also be implementing price rises in almost all the main countries of operation by "an appropriate percentage above inflation".

Allied-Lyons in Dutch disposal

Allied-Lyons has sold its 33.5 per cent holding in Coca-Cola Beverages Nederland for an undisclosed cash sum to its two partners in the Dutch soft drinks company, Coca-Cola and Interbrew, the Belgian brewer.

Mr Philip Butler, chairman of Allied Breweries Nederland, said: "The sale is part of our strategy of disposing of those businesses which do not fit with our core activities."

Murray Split Capital Trust

Murray Split Capital Trust, which came to the market in July 1991, yesterday reported its maiden preliminary results – for the 65 weeks to August 31.

Net asset values were 94.6p per capital share, 51.2p per income share and 112.6p per zero dividend preference share.

Ms Carolan Dobson, fund manager, said the return on the underlying portfolio fell by 6.9 per cent over the period, against a decline of 6.5 per cent in the FT-A All-Share Index and a 17.8 per cent fall in the Kleinwort Benson Topsi 100 Yield Index.

Net revenue amounted to £1.03m for earnings of 12.83p per income share.

As forecast in the prospectus, a proposed final dividend of 3.3p brings the total to 11.6p.

English National net assets lower

English National Investment Company reported falls in net asset value for its preferred ordinary and deferred ordinary shares of 11.9 per cent and 15.4 per cent respectively.

At September 30, net asset value per preferred ordinary was 290.5p, against 329.96p a year earlier, and 215.5p (254.96p) per deferred ordinary.

Earnings per share for the six months came to 7.72p (7.33p) per preferred ordinary and 5.27p (4.88p) per deferred ordinary.

The respective interim dividends are maintained at 5p and 2.55p.

I&S UK Smaller net assets down 8%

The net asset value of I&S UK Smaller Companies Trust declined 8.3 per cent, from 88.96p to 81.59p, over the six months to September 30.

Net revenue for the period amounted to £588,000, equivalent to earnings of 2.81p per 50p share. As indicated in the annual report, a maiden interim dividend of 1p is declared.

City & Commercial plans reorganisation

City & Commercial Investment Trust is putting forward reorganisation proposals.

The split capital trust, which invests in the shares of other investment trusts, is due to be wound up next February.

Shareholders will be offered securities in a new investment and a new unit trust. Those who opt for the latter will be able to realise their investments for cash at asset value.

The new investment trust will continue to invest in the shares of other trusts.

First Maryland up 27% in third quarter

First Maryland Bancorp, the US subsidiary of Allied Irish Banks, reported third quarter pre-tax profits of $37.6m (£21.8m), up some 27 per cent on the same stage of 1991.

The outcome contributed to a 43 per cent rise to $105.4m ($74m) in pre-tax profits for the nine months to September 30.

Mr Charles W Cole, First Maryland's president and chief executive, said: "Improved interest margins and increases in fee income continue to contribute to our momentum. Non-interest expense management has also strengthened First Maryland's positive earnings trend in an environment of sluggish loan demand."

First Maryland has a 165-branch network, 142 in Maryland, 21 in Pennsylvania, and one each in Delaware and Washington DC.

Aviva rights issue 60.65% subscribed

Aviva Petroleum, the Dallas-based oil and gas company quoted on the London Stock Exchange, yesterday said its 2-for-1 rights issue at 27p per share, which closed last Friday, had been 60.65 per cent subscribed.

A further 10.47 per cent was placed in the market on Tuesday at 28p per share.

Before expenses, funds raised were $5.5m (£3.4m), of which $2.8m will be used to reduce debt to Royal Bank of Scotland to $12.2m.

The balance will go into working capital.

Aviva's shares firmed 1p to 31½p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 21.10.92: Pool purchase price £/MWh	Pool Prices for Trading on 20.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	17.76	17.76
0100	17.72	17.76	17.76
0130	17.74	17.71	17.71
0200	21.35	17.76	17.76
0230	23.79	17.76	17.76
0300	23.79	17.71	17.71
0330	28.79	17.71	17.71
0400	20.60	17.71	17.71
0430	17.76	17.71	17.71
0500	17.74	17.71	17.71
0530	17.73	17.70	17.70
0600	17.73	17.69	17.69
0630	18.85	17.70	17.70
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	16.83	17.76	17.76

LEGAL NOTICE

NOTICE TO CREDITORS TO SUBMIT CLAIM IN THE MATTER OF [illegible] AND IN THE MATTER OF THE INSOLVENCY ACT 1986

[illegible]

Coffee touches 8-month highs

By David Blackwell

LONDON ROBUSTA coffee prices touched 8-month highs yesterday and the New York arabica market was further ahead in late trading in what one trader described as "a total turnround in market sentiment".

"A couple of months ago you would have sold the rallies – now you are looking to buy the dips," said the London trader, who added that there was little selling from countries of origin.

The London market has moved ahead on the back of New York. On Tuesday, the New York December contract broke through 62.90 cents a lb – regarded as an important level by technical traders – to close 2.70 cents ahead at 64.85 cents. In late trading yesterday it was almost another cent up. London's December robusta contract closed up $20 at $885 a tonne, having touched an eight-month high of $894.

Ms Judy Ganes, softs analyst with Merrill Lynch, said yesterday that the market's strength had surprised a lot of people, including roasters and technical traders. Only a few weeks ago coffee prices were at 20-year lows, with the nearby New York contract below 50 cents a lb.

Most of the movement in New York has been sparked by the smaller crop in Brazil, the world's biggest producer. Last week Brazil said it had exported only 1m bags (60 kg each) in September, down from 1.6m bags in September 1991. Domestic prices in Brazil have risen sharply, with the average cost of a bag of export quality at $60. This partly reflects the recent government decision to roll over producer loans.

Ms Ganes sees New York hitting 70 cents in the run up to the next International Coffee Organisation talks on a new agreement, scheduled for the end of next month.

These talks are likely to be the key to further price gains. Delegates will have to make some sort of progress in order to avoid a market reaction, said a London trader. "They won't want to let go the ground we have gained under such difficult circumstances."

Nervousness distorts new aluminium contract

By David Blackwell

A PREMIUM for nearby metal over metal for forward delivery – known as a backwardation – has developed in the London Metal Exchange's new aluminium alloy contract because of market nervousness over the fact that there is no metal yet in LME warehouses, an LME seminar was told in London yesterday.

Mr Ralph Kestenbaum, chairman of the LME aluminium alloy committee, said the backwardation ($15 a tonne between January 6 and 20) reflected the lack of cash trading in the contract, which does not begin until January 6. He did not expect the backwardation to last much beyond then.

The aluminium alloy contract, launched on October 6, is trading about 600 tonnes a day, with open interest at 13,740 tonnes. "I consider this extremely healthy," said Mr Kestenbaum, who believes that trading volume will increase once cash trading begins. But he said it would be four or five years before the contract could be considered mature.

He did not doubt that it would be successful, pointing out that the amount of aluminium scrap produced in the US alone was set to rise from the present 2.7m tonnes to 3.6m tonnes by the turn of the century. "For much of this tonnage the primary aluminium contract is a rotten hedge," he said, but the industry could make increasing use of the aluminium alloy contract.

"This particular industry is in its infancy and that is why this was the right moment to introduce this contract," Mr Kestenbaum told the seminar.

● Western nickel stocks, at about 16 weeks consumption, are not substantial, Mr Vivian Davies of Brandeis (Brokers) told the seminar. Producer stocks are between 110,000 and 115,000 tonnes and merchant stocks at 30,000 tonnes. LME warehouse stocks are a record 53,706 tonnes, much of it from the CIS, which is expected to export 115,000 tonnes this year, of which 30,000 tonnes will come through unofficial channels. But, Mr Davies pointed out, in 1975 Inco, the world's biggest nickel producer, alone had stocks of 165,000 tonnes.

● Mr Martin Abbott, LME marketing director, said the surge in options on the exchange from 5 to 12 per cent of total turnover in the last 18 months was "entirely logical" in a period of great uncertainty in the market. He denied that there was anything suspicious about the development.

Italy may resort to decree on milk quotas

By Robert Graham in Rome

THE ITALIAN government is prepared to resort to the use of a decree in order to have legislation on milk quotas ready for the next meeting of European Community agriculture ministers, which is scheduled to be held on October 26.

The law is designed to bring Italian milk production policy into line with the community's and is an essential part of the government's strategy to try to persuade the EC to think again about the size of the reduction demanded in Italy's milk quota.

Italy has been given an annual quota of 9m tonnes of milk, compared with its present production of 11.5m tonnes. This quota has sparked strong protests from the producers, who claim they are being asked to make an unacceptably large cut. The government for its part has responded by trying to seek a better deal, which would raise the quota by 10 per cent.

However, the government is well aware that its community partners have been antagonised by the behaviour of previous Italian administrations, which consistently denied that the industry was over-producing and concealing the true extent of production. As a result the new law on milk quotas has been drawn up to forestall further criticism from the EC and bring Italy into line.

The law fixes individual quotas for producers and proposes a three year period, 1992 to 1994, over which Italy would reduce production.

This legislation risks being held up in parliament because of the need to give early approval for the 1993 budget. Resort to a decree will also get round some of the amendments the milk lobby is seeking to make in the chamber of deputies.

With the new law in hand, the government hopes to demonstrate Italy's good intentions to comply with the quota scheme – at one stage the Italians were threatening simply to ignore the quotas.

The government next week will also repeat its argument for a raising of the quota level, pointing out the country's high level of milk imports – about 9m tonnes. Italian officials hope the matter can be resolved by the end of November.

Miners urged to prepare for 'green' onslaught

By Kenneth Gooding in Las Vegas

THE MINING industry's environmental performance was under increasingly intense scrutiny following the Rio Earth Summit, Mr George Littlewood, vice-president, external affairs, for CRA, the Australian natural resources group warned yesterday. "The world has changed for the mining industry and we ignore those changes at our economic cost."

He suggested that the environmental movement had used Rio to enhance its international networks. A follow-up paper by the Washington-based Worldwatch Institute think-tank showed a "shift and intensification in the environmental movement's interest in the mining industry".

The Worldwatch paper moved the anti-mining argument one step further by suggesting the world could not afford the ecological price of satisfying its present appetite for minerals. It also claimed mining had a big adverse impact on the environment because it was a profligate user of energy and therefore contributed to all the adverse aspects of energy use, including potential climate change.

Mr Littlewood told a conference held as part of the American Mining Congress's MinExpo exhibition: "It is the environmental movement – not the industry – which now has the tools at its disposal to pursue that argument. The momentum and political sanction created by the Rio summit and public opinion in sections of the developed world are on its side. Its capacity to organise and inspire and its record of past success should caution any view that Rio was the end rather than the beginning of even closer scrutiny of our industry".

He called for more support for the International Council for Mining, set up by some of the big companies two years ago, as a start towards ensuring the mining industry got its own international networks working better.

The mining industry should balance the debate about ethical issues, he said. "It is no more ethical for this generation to pass on to succeeding generations a degraded economy than it is to pass on a degraded environment."

Mr Littlewood pointed out: "Development creates infrastructure, finances education, enables cultural advancement and allows economic surpluses to be used to look after the less well off in developed societies. No wonder large parts of the world, which currently do not enjoy such benefits, become rightfully irritated when they are told to cease and desist in the pursuit of economic growth by those who enjoy the benefits of growth.

"Morality is on the side of development as well as on the side of those who genuinely care for the protection of the environment."

● About 200 delegates from the CIS and other parts of the former eastern bloc are at the AMC exhibition, looking for mining technology equipment and joint ventures. The number of exhibitors at MinExpo, which is held every four years, is a record 880 and attendance, forecast to be about 30,000 before the show started, is exceeding expectations. Foreign visitors account for nearly 20 per cent of those attending.

NZ dairymen set to cream off profits

The industry is brimming with optimism, writes Terry Hall

THE NEW Zealand dairy industry is brimming with optimism three months into its new season. Mr Dryden Spring, chairman of the Dairy Board, forecast this week that the industry would earn NZ$3.5bn (£1.15bn) in 1992-93, NZ$500m more than in the 1991-92 year.

Increasing optimism is seeing a sharp rise in the price of both dairy cattle and farms. Dairy farmers are expecting a payout of about NZ$6 a kilogram of milk fat this season – 50 cents more than Mr Spring told farmers to expect when the 1991-92 season ended in June.

This is stirring stuff for an industry which began the 1991-92 season from a low base and was thrilled to end it with a higher than expected pay out of NZ$5.20 a kilogram. Total payments to farmers were higher, having been topped up by individual dairy companies.

Judging by past experience the October pay out is likely to be a conservative one, and the board will closely monitor the season with further reviews probable in February and at the end of the season. The board will not be drawn on how much extra may be paid.

Industry executives say, however, that while the future is not guaranteed, most farmers are counting on an average pay out of about NZ$6 a kilogram. The average farmer producing 25,000 kg of milk fat a year expects to see his income rise by some NZ$25,000 over last season's.

Mr Spring said that he expected earnings this season would be almost double the depressed 1988 figure, underlining the industry's continuing success in adding value to its raw product. Export volumes have risen by only 12 per cent in that time.

Most dairy farmers had not recovered from the spending cuts forced by falling prices of two season's ago, the chairman said, and he expected that the extra income would be spent on maintenance and fertiliser.

Two factors had stopped the board's forecasts being even better: an increase in European Community export subsidies, which was expected to bring lower prices, and the continuing absence of Russia from the dairy market.

Increases in world dairy prices generally and greater sales to the growing markets of Asia and Latin America were the main reason for the increasing optimism, Mr Spring said. Though world prices had slipped from the peaks of two to three months ago, they were still well ahead of last year for most products except butter.

Skim milk powder is selling for US$1,990 a tonne, compared with US$1,550 last season. Butter is down from US$1,500 to US$1,440. Mr Spring said trade liberalisation was the main reason for increased sales to Latin America. Up to 1981 sales were mainly in bulk going to government buying agencies, but privatisation had opened the way for value added products. Branded dairy consumer products in Latin America had risen in value from NZ$30m to an estimated NZ$140m this year. Latin America was now New Zealand's biggest market in volume, though it trailed Europe in earnings. He said the Asian dairy market was growing at 5 per cent a year.

The board reports that in the 1991 year returns for most dairy products rose, with cheese up 15 per cent and milk powder and casein up by more than 33 per cent. Butter returns were also somewhat higher.

It says it is difficult to forecast butter prices as this depends on future purchases from the former Soviet Union, a key market.

No worthwhile payments have been received from the NZ$270m debt from last season, and this is causing some concern within the board. While it is known that the Russians want more butter, the board is unlikely to provide it till some progress is made on paying what is already owed. Some settlement is expected, however, as recent loans from the West should give the former Soviet Union money to spend, and there has been progress on money owed for wool, leading to a resumption of that trade.

The board says the skim milk powder market looks better. Over the last month the EC has cut its export subsidies, leading to a rise in prices. EC consumption of milk, and conversion to cheese and butter, has picked up sharply in the current season, and this is also seen as a positive in cutting the community's export capacity.

The outlook for wool prices remains gloomy in the short term but is positive in the long term, according to Mr Pat Morrison, chairman of the New Zealand Wool Board, reports Reuter from Wellington.

In a speech to Federated Farmers he said he was less confident about the short term than he was six months ago.

The world market has recovered slightly from the 45-year low of a year ago but is still at historically low levels.

The only bright spot has been the return of China to the market – last season it bought more than a fifth of New Zealand's wool exports.

Russia, traditionally the world's biggest wool importer and one of New Zealand's main customers, wants wool but remains side-lined because of its inability to pay for it.

Light metals group to cut output

By Karen Fossli in Oslo

ELKEM, THE Norwegian light metals producer, yesterday announced a 50,000-tonne cut in domestic ferro-silicon and ferrochrome production, which would also lead to a reduction in its workforce.

The move comes as a result of a further deterioration in Elkem's main markets, which Mr Ole Enger, the president, blamed on exports from eastern Europe and China.

Elkem's annual domestic production capacity of ferro-silicon is 260,000 tonnes. Its worldwide capacity, which is at present 75 per cent utilised, is 450,000 tonnes.

Production at the group's lone ferrochrome plant, which is situated at Rana in Norway and has annual production capacity of 140,000 tonnes, would be cut by 26,000 tonnes, Elkem said. A 24,000-tonne cut would be made at the Bjoelvefossen and Salten ferro-silicon plants.

"These actions show how serious the situation in our markets is," Mr Enger said. "It is crucial that the power-intensive industries in Norway obtain conditions that are as good as, or at least no worse than, other producers."

Trinidad and Tobago given oil development loan

By Canute James in Kingston

THE STATE-OWNED Trinidad and Tobago Oil Company has received a US$18m loan from the Caribbean Development Bank to help finance a programme for on-shore and off-shore secondary oil recovery and to improve the volume of refinery throughput.

The bank, based in Barbados, said the Trinidadian project would cost $411m, and that financing was also being obtained from the Inter-American Development Bank, the Japan Import-Export Bank, the Commonwealth Development Corporation, the European Investment Bank and the oil company.

The programme will double the capacity of the company's refinery at Pointe-a-Pierre in Southern Trinidad, the bank said, and the increased demand for crude will be met by improving the secondary oil recovery on-shore and off-shore.

It is anticipated that the programme will yield the secondary recovery of just over 13m barrels of heavy crude from onshore fields in the first phase. This will be followed by the secondary recovery of 17m barrels of lighter crude from offshore fields. Refinery throughput, which has been about 100,000 barrels a day, will be increased when capacity is expanded to 160,000 b/d.

WORLD COMMODITIES PRICES

MARKET REPORT

BASE METALS continued to be underpinned by a short-term corrective reaction following recent hefty price declines on the London Metal Exchange yesterday. But the general fundamental picture of sluggish economies and high stocks suggests the downside will be revisited soon, dealers said. The markets are also pausing this week with many participants and traders side-lined for LME dinner week. London COCOA futures made strong advances, but ended with gains slightly pared. Dealers said the upward movement carried on from Tuesday's key chart reversal in New York, which had prompted an active short covering rally. In Chicago MAIZE continued to trade lower at midsession, with the market focusing on the large crop and ignoring rumours Ukraine has purchased 300,000 tonnes of corn, traders said. "The modest rally yesterday on the Russian purchase (of 820,000 tonnes of US corn) proved this market is heading lower on the huge crop," one trader said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$18.00-8.15	-.375
Brent Blend (dated)	$20.20-0.30	-.425
Brent Blend (Dec)	$20.30-0.40	-0.40
W.T.I (1 pm est)	$21.55-1.60	-.525

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$214-217	-2
Gas Oil	$198-200	-3
Heavy Fuel Oil	$103-104	+0.5
Naphtha	$197-198	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$343.95	+0.4
Silver (per troy oz)♣	380.5c	+1
Platinum (per troy oz)	$358.25	-2.75
Palladium (per troy oz)	$94.25	-0.50
Copper (US Producer)	104.5c	
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.28r	-0.13
Tin (New York)	268.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.78p	-1.69*
Sheep (live weight)†♠	74.66p	-0.64*
Pigs (live weight)†	86.70p	+1.73*
London daily sugar (raw)	$229.0w	+1
London daily sugar (white)	$263.5w	
Tate and Lyle export price	£251.0	+2
Barley (English feed)	£126.5u	
Maize (US No. 3 yellow)	£144.0	+3
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	60.75p	+0.50
Rubber (Dec)♥	60.50p	+0.50
Rubber (KL RSS No 1 Oct)	223.5m	
Coconut oil (Philippines)§	$495.0y	+10
Palm Oil (Malaysian)§	$405.0	+2.5
Copra (Philippines)§	$322.5	
Soyabeans (US)	£155.5w	+1.5
Cotton "A" Index	52.70c	
Wooltops (64s Super)	401p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Jan/Mar y-Nov/Dec u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	198.00	200.00	198.00
Mar	202.00	196.00	202.00 192.00
May	200.00	200.00	200 00
White	**Close**	**Previous**	**High/Low**
Dec	259.00	258.50	259.50 258.50
Mar	258.50	258.50	259.00 257.60
May	259.90	259.80	259.90
Aug	265.50	265.30	265.50
Oct	254.00	253.80	254.40 254.00

Turnover: Raw 85 (55) lots of 50 tonnes. White 831 (310) Paris- White (FFr per tonne): Dec 1339.03 Mar 1366.84

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	20.41	20.71	20.69 20.29
Jan	20.37	20.69	20.65 20.28
Feb	20.26	20.57	20.51 20.20
Mar	20.11	20.40	20.37 20.14
Apr	19.94	20.25	20.24 20.03
Jun	19.75	20.05	19.94 19.83
IPE Index	20.75	20.85	

Turnover 34154 (18676)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	196.00	199.25	198.50 195.75
Dec	198.00	201.00	200.50 197.75
Jan	198.75	201.00	200.25 198.25
Feb	194.75	196.25	195.50 194.00
Mar	187.75	189.50	189.00 187.50
Apr	182.75	184.00	183.50 182.75
May	179.25	180.75	179.25
Jun	177.75	178.25	178.00 177.00

Turnover 18164 (12725) lots of 100 tonnes

WOOL

Prices in the main primary markets are only just holding steady, after tending easier for most of the week. The Australian Wool Corporation's market indicator has fallen to another new low point for this season, at 505 cents a kg. The trade has noted that some woolgrowers withdrew their wool from the sale before it started yesterday. In addition to some large percentages passed in at growers' reserves during the sale. On some previous occasions a week market has led to this approach, as dissatisfaction with selling prices develops.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	681	683	682 669
Mar	703	687	708 693
May	723	704	725 713
Jul	740	722	741 732
Sep	756	741	757 747
Dec	781	765	781 772
May	823	808	823

Turnover: 7506 (5419) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 20 729.49 (722.85) 10 day average for Oct 21 739.38 (743.23)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	877	855	880 856
Jan	885	865	894 870
Mar	898	880	907 883
May	900	875	900 880
Jul	900	880	901 893
Sep	900	871	900 900

Turnover:6077 (4111) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 20: Comp. daily 53.68 (52.87) 15 day average 51.22 (50.51)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	60.0	61.0	60.0 58.7

Turnover 61 (42) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	136.50	136.00	137.00 136.50

Turnover 75 (75) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1105	1100	1105 1100
Nov	1200	1176	1200 1190
Dec	1195	1180	1200 1190
Jan	1232	1210	1235 1220
Apr	1250	1240	1250 1240
Oct	1320	1303	1320
BFI	1066	1060	

Turnover 229 (105)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	124.85	123.25	124.85 123.50
Jan	128.20	126.60	128.20 126.80
Mar	131.10	129.65	131.10 130.20
May	133.50	132.35	133.50 133.10
Sep	103.50	-	103.50
Nov	106.25	106.00	106.25
Barley	**Close**	**Previous**	**High/Low**
Nov	123.70	122.25	123.70 122.95
Jan	127.50	-	127.50 127.00
Mar	130.50	129.40	130.70 130.15
May	132.00	-	132.00 131.90

Turnover: Wheat 349 (103), Barley 270 (110). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	104.0	104.5	104.0

Turnover:5 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 41,868 lots	
Cash	1169-70	1171.5-2.5		1165-6.5		
3 months	1194-5	1196-7	1194/1183	1191-1.5	1194-5	176,246 lots
Copper, Grade A (£ per tonne)					Total daily turnover 26,818 lots	
Cash	1396-8.5	1387.5-8.5	1403/1403	1402-2.5		
3 months	1425.5-6.0	1416.5-7.0	1431/1422	1430.5-1.0	1424-5	142,297 lots
Lead (£ per tonne)					Total daily turnover 3,684 lots	
Cash	326-7	326.5-7.5		327-8		
3 months	338-9	339-40	340.5/339.5	339-40	337-7.5	25,166 lots
Nickel ($ per tonne)					Total daily turnover 3,984 lots	
Cash	6055-60	6060-70	6060/6050	6050-2		
3 months	6130-5	6140-5	6140/6075	6130-5	6130-5	30,794 lots
Tin ($ per tonne)					Total daily turnover 3,260 lots	
Cash	5810-20	5810-20		5810-5		
3 months	5880-90	5875-80	5906/5820	5870-5	5865-70	10,239 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 16,037 lots	
Cash	1117-8	1114-5	1125/1125	1125-6		
3 months	1134-5	1132-3	1144/1126	1141.5-2.0	1131-2	88,416 lots

LME Closing £/$ rate: SPOT: 1.6145 3 months: 1.5995 6 months: 1.5895 9 months: 1.5814

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.60-344.10	
Opening	343.40-343.70	
Morning fix	343.50	212.720
Afternoon fix	343.75	212.191
Day's high	343.90-344.20	
Day's low	343.50-343.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.14	6 months	2.29
2 months	2.15	12 months	2.57
3 months	2.18		

Silver fix	p/troy oz	US cts equiv
Spot	236.50	380.50
3 months	241.25	384.65
6 months	244.90	387.80
12 months	252.05	394.95

GOLD COINS

	$ price	£ equivalent
Krugerrand	343.00-346.00	212.00-214.00
Maple leaf	354.55-356.80	-
New Sovereign	82.50-84.50	51.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1150	31	66	3	14
1200	6	38	27	33
1250	3	17	72	63
Copper (Grade A)	**Calls**		**Puts**	
2200	67	105	3	21
2300	8	47	44	62
2400	3	16	136	129
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	126	99		12
800	78	65		28
850	28	39		52
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
575	82	111	1	8
600	59	91	3	13
625	39	73	8	20
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2050	32	54	5	42
2100	9	26	30	
2150	6	19	55	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	344.1	343.8	344.4	344.4
Nov	344.0	343.8	0	0
Dec	344.8	344.8	345.4	344.5
Feb	346.1	346.0	346.7	346.0
Apr	347.5	347.4	347.7	347.4
Jun	349.1	349.0	349.7	349.8
Aug	350.9	350.8	351.3	351.2
Oct	352.8	352.7	0	0
Dec	354.8	354.6	355.0	354.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	361.1	363.4	361.0	360.5
Jan	357.3	359.6	358.8	357.0
Apr	355.8	358.1	357.0	356.5
Jul	355.8	358.1	0	0
Oct	357.8	360.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	378.0	377.8	379.0	379.0
Nov	379.1	377.9	0	0
Dec	380.5	378.3	383.0	379.0
Jan	381.8	380.6	0	0
Mar	384.2	383.0	387.0	383.0
May	386.8	385.6	388.5	386.5
Jul	389.5	388.2	391.5	386.5
Sep	392.3	391.0	0	0
Dec	396.8	395.5	398.5	397.0
Jan	398.3	397.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	100.00	99.70	100.90	99.80
Nov	100.20	99.90	101.15	100.10
Dec	100.75	100.45	101.85	100.60
Jan	101.15	100.90	101.10	101.10
Feb	101.40	101.25	102.70	102.70
Mar	101.65	101.55	102.80	101.70
Apr	101.85	101.75	0	0
May	102.35	102.25	103.25	103.10
Jun	102.70	102.60	0	0
Jul	102.95	102.85	103.40	103.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Dec	21.61	22.05	21.98	21.51
Jan	21.54	21.96	21.90	21.45
Feb	21.44	21.83	21.78	21.37
Mar	21.33	21.69	21.64	21.29
Apr	21.21	21.56	21.45	21.15
May	21.10	21.44	21.35	21.05
Jun	21.00	21.33	21.24	21.02
Jul	20.92	21.24	21.13	20.93
Aug	20.84	21.15	21.05	20.82
Sep	20.77	21.08	20.98	20.73

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	62.65	64.21	64.10	62.40
Dec	63.61	65.07	64.95	63.25
Jan	64.00	65.44	65.35	63.80
Feb	62.95	64.29	64.15	62.65
Mar	60.80	61.95	61.80	60.55
Apr	58.95	60.00	59.90	58.70
May	57.70	58.65	58.60	57.60
Jun	56.85	57.75	57.75	57.75
Jul	56.70	57.55	56.55	56.55
Aug	57.25	58.10	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	945	952	970	943
Mar	995	1002	1022	994
May	1027	1034	1054	1026
Jul	1056	1059	1077	1057
Sep	1086	1089	1111	1093
Dec	1122	1125	1147	1120
Mar	1160	1163	0	0
May	1189	1192	0	0
Jul	1226	1229	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	65.20	64.85	66.30	65.10
Mar	68.65	68.25	67.65	66.60
May	69.65	69.30	70.80	69.65
Jul	71.20	70.65	72.00	71.20
Sep	72.30	72.00	73.50	72.30
Dec	74.75	74.45	76.00	74.75
Mar	76.50	76.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.93	8.91	8.94	8.80
May	8.99	8.98	9.00	8.90
Jul	9.01	8.99	9.01	8.95
Oct	9.02	8.99	9.00	8.92
Mar	9.07	9.05	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	52.81	53.34	53.54	52.75
Mar	52.97	53.38	53.57	52.95
May	53.60	53.90	53.90	53.50
Jul	54.10	54.45	54.60	54.10
Oct	54.90	55.32	55.30	54.90
Dec	55.15	55.40	55.70	55 15
Mar	55.65	55.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	102.10	101.30	102.70	101.30
Jan	99.20	98.05	99.40	97.75
Mar	100 30	99.20	100.50	99.15
May	100.90	99.75	100.90	99.50
Jul	100.65	99.25	100.75	99.60
Sep	100.35	99.25	100.70	100.70
Nov	100.35	99.25	100 60	100.40
Jan	100.35	99.25	0	0
Mar	100.35	99.25	0	0

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INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 21	Oct 20	mnth ago	yr ago
1637.5	1621.0	1584.0	1651.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 20	Oct 19	mnth ago	yr ago
Spot	114.62	113.95	118.13	114 67
Futures	115 62	115.11	115 78	124 36

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	543/6	546/2	546/4	542/4
Jan	549/4	552/6	552/6	548/6
Mar	558/0	559/6	559/4	555/4
May	562/6	566/2	566/2	562/2
Jul	569/2	573/2	573/0	569/0
Aug	572/0	576/0	575/4	572/0
Sep	572/2	575/2	576/0	572/2
Nov	577/2	579/4	580/4	577/0
Jan	584/0	588/0	586/0	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.11	19.29	19.28	19.10
Dec	19.18	19.39	19.42	19.14
Jan	19.33	19.53	19.55	19.30
Mar	19.59	19.75	19.78	19.53
May	19.80	19.96	20.02	19.76
Jul	20.01	20.20	20.20	19.99
Aug	20.08	20.25	0	0
Sep	20.13	20.27	0	0
Oct	20.18	20.35	0	0
Dec	20.25	20.45	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.0	182.5	183.0	181.5
Dec	184.1	184.2	184.7	183.6
Jan	183.9	184.4	184.7	183.6
Mar	184.0	184.4	184.9	183.8
May	184.0	184.6	184.8	183.8
Jul	185.8	186.2	186.5	185.7
Aug	186.6	186.7	187.3	186.6
Sep	187.3	187.5	187.8	187.3
Oct	188.8	189.0	0	0
Dec	190.0	189.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	207/6	210/2	210/4	207/4
Mar	217/0	219/2	219/2	216/4
May	223/2	225/4	226/0	223/0
Jul	228/0	230/0	230/0	227/6
Sep	231/0	232/4	233/4	231/0
Dec	234/6	235/6	235/6	234/4
Mar	241/4	242/4	242/2	241/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	350/0	354/0	353/4	349/0
Mar	348/0	351/6	351/4	347/2
May	336/4	339/0	339/0	335/4
Jul	316/2	317/0	316/4	314/4
Sep	320/0	322/0	320/0	320/0
Dec	330/6	332/0	331/4	329/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	76.000	76.275	76.200	75.800
Dec	74.050	73.875	74.300	73.775
Feb	71.775	71.825	72.000	71.575
Apr	72.550	72.525	72.750	72.350
Jun	68.450	68.575	68.750	68.400
Aug	68.100	68.125	68.450	68.075
Oct	68.450	68.500	68.550	68.375

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.075	42.475	43.200	42.450
Dec	44.575	43.875	44.625	43.600
Feb	43.450	43.025	43.450	42.700
Apr	41.225	41.000	41.350	40.775
Jun	46.200	46.100	46.250	45.850
Jul	45.600	45.250	45.650	45.200
Aug	44.150	44.000	44.150	43.750
Oct	41.350	41.200	41.350	41.050
Dec	43.400	43.200	43.400	43.200

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.675	44.050	44.850	43.500
Mar	44.850	44.200	45.050	43.750
May	46.300	43.950	46.350	45.200
Jul	46.675	46.100	46.700	45.300
Aug	45.850	45.225	45.900	44.700

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FINANCIAL TIMES SURVEY

LEMAN REGION

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Thursday October 22 1992

Advocates of European unity are promoting regional identities. But co-operation is easier said than accomplished between entities as structurally and temperamentally different as those of Switzerland and France. **Ian Rodger** investigates

Co-operation is the key

ONE of the most cherished strategies of the advocates of European unity is to promote what they call the Europe of *the regions.*

The idea is to focus on those many regions in continental Europe where shared culture, history and traditions cross national boundaries. By encouraging people to have a greater sense of identity with their natural region, it is hoped that the importance of national borders will gradually diminish *in their minds.*

Switzerland, by virtue of its position as the meeting point of three of western Europe's great cultures, is participating in attempts to build four of these trans-border natural regions. The two most advanced are the tri-national area around Basle, known increasingly as Regio Basiliensis, and the bi-national region radiating out from Geneva, which is coming to be known as La Région lémanique after the beautiful lake that is at its heart.

It is, of course, ironic that the Swiss, who have tried so hard for centuries to stand aloof from their neighbours' struggles and who harbour deep doubts about the very notion of European unification, are embracing these attempts to promote regional identity with some enthusiasm.

But the main promoters of a Léman regional consciousness are the Swiss – notably Mr Raymond Deferr, deputy governor of the Swiss canton of Valais, and Mr Claude Haegi, *minister of the interior*, agriculture and regional affairs in the canton of Geneva.

Mr Deferr was instrumental in setting up the Conseil du Léman five years ago, an organisation bringing together leaders of the Swiss cantons of Valais, Vaud and Geneva and the French departments of Haute-Savoie and Ain. He is now *its president.*

Mr Haegi has launched an unprecedented project of joint regional planning with the French regional government of Rhône-Alpes.

In the past, there were close links among the French- and Italian-speaking peoples who lived in the western Alps, the House of Savoy ruling various parts of the region from the 11th century until the end of the Second World War.

Industrially, too, contacts reach back at least into the last century when the precision components manufacturers of the Arve valley in Haute-Savoie served the watch and clock makers of Geneva.

The city of Calvin, surrounded by France except for a narrow corridor connecting it to the rest of Switzerland, has had access since 1815 to large tracts of land known as "zones franches", or free zones, in adjacent Haute-Savoie and Ain from where it obtained food and building materials – and where it sent much of its rubbish.

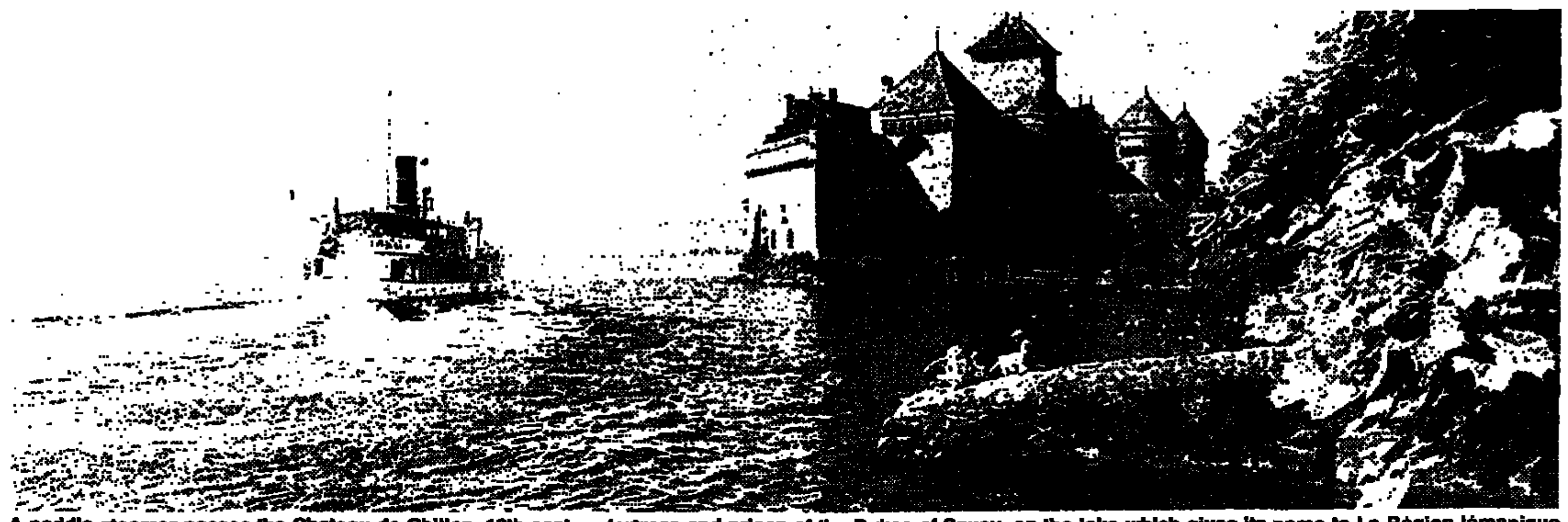
These zones and natural contacts contracted dramatically in the first half of the 20th century, largely as a result of Switzerland's neutrality through two world wars. Today, the economies of the various parts of the region have very few links. "We have more trade with Hong Kong than we do with Haute-Savoie", says Mr Steven Bernard an economist at the Geneva Chamber of Commerce and *Industry.*

The main link is the group of some 30,000 people who live in France but commute to Geneva to work every day. The sheer size of this group has created endless problems for governments on both sides of the border and has gradually forced them to recognise the need for co-operative planning, con*struction and use of infrastruc*ture.

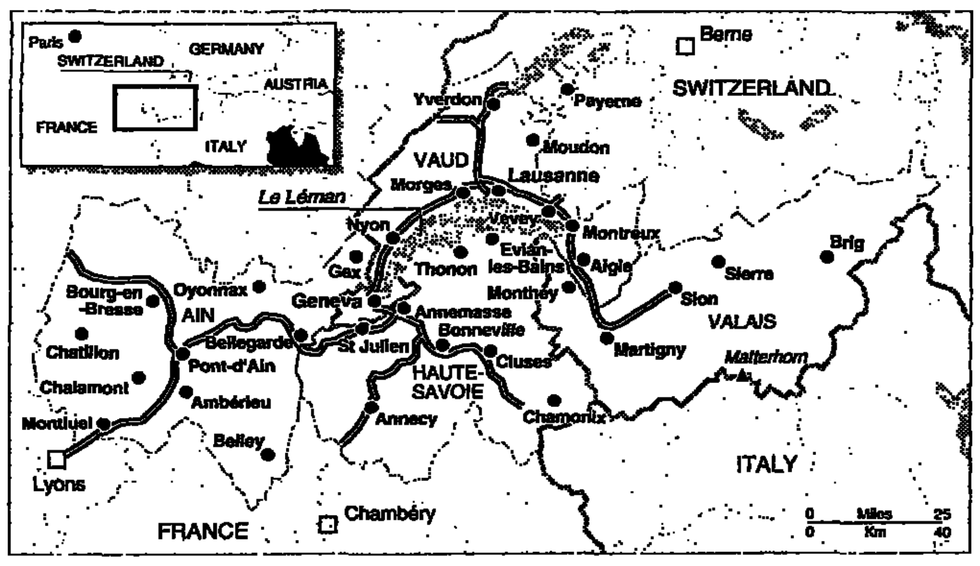
But co-operation is easier said than accomplished between entities as structurally and temperamentally different as France and Switzerland. Swiss cantons have a high level of autonomy and their leaders are accustomed to making decisions. In France, *everything has to be referred* to Paris. As is often said of the US and Britain, they seem to be two cultures separated by the same language.

In the early 1970s, Geneva recognised that its neighbouring French municipalities, which were basically dormitory towns, were having a great deal of difficulty providing services because most of their residents were earning their living and paying taxes in the city. Geneva authorities proposed transferring a portion of these taxes to the municipalities, but agreement was delayed for a long time because the national French government insisted that the money be routed through Paris and refused to guarantee that it would be passed on to the municipalities concerned.

Today, cross-border co-operation in what might be called the metropolitan Geneva area is becoming more productive.



A paddle-steamer passes the Chateau de Chillon, 13th century fortress and prison of the Dukes of Savoy, on the lake which gives its name to La Région lémanique



In addition to the tax treaty, cross-border public transport is improving as is co-ordination of emergency and security services and facilities.

However, even at this local level, there are conflicts. The departmental government of Haute-Savoie in Annecy has long neglected the area it calls "Le Genevois français", but a few years ago it responded to demands from the area to do something to ease its dependence on Geneva.

At the time, Geneva itself was bulging at the seams and reluctant to take in any more foreigners, so the prospects for satellite developments seemed good. Today, however, the climate has changed radically and Geneva, with 10,000 people unemployed and an office glut, is aggressively seeking inward investment.

This unexpected competition, combined with the general economic recession, has made life much tougher for the plethora of industrial and technoparks that have sprung up in the Genevois français. The most ambitious, the International Business Park in Archamps, has just managed to save one of its showcase building complexes from bankruptcy.

Efforts aimed at wider regional co-operation are still in their early stages and, perhaps inevitably, have spawned conflicting agencies with conflicting powers and interests. Le Conseil du Léman, for example, groups the three cantons and two departments but excludes the powerful Rhône-Alpes regional government.

Rhône-Alpes, representing the French national government, has a formal relationship with the canton of Geneva, but not with the other Swiss cantons.

These differences come to the fore on particular issues. The Conseil du Léman, for example, is a big booster of a high speed train link between Geneva and Paris.

The Rhône-Alpes government, centred in Lyon, puts priority on building a line from Lyon to Turin to help slow-growth areas in southern parts of its territory.

Indeed, the Lyonnais wonder how serious Geneva's commitment to the region is when it seems that the thing it wants most from the French is a fast train to Paris.

Similarly, the Swiss want a new motorway built along the south shore of the Léman in France because the existing north shore motorway is saturated.

Officials in Lyon make clear such a project is of little interest to them, and presents considerable engineering and environmental problems at the east of the lake where the mountains rise straight up from the lake shore.

Viewed from Lyon, the région lémanique does not make much sense at all. "It is a geographical region – that is, the upper Rhône watershed – rather than a natural economic one," Mr Jean-Jacques Faure, a researcher in the regional government, says

What they would really like is for Geneva to play a role in their development plan, which envisages *a triangular pattern* with Lyon, Grenoble and Geneva at the points.

Each point should become a regional centre of excellence in various high technology and scientific fields, they argue.

It would be wrong to imply a degree of animosity in these differences. It is just that the French, who have long seen *themselves as the poor cousins* in the region, now realise they have some cards to play.

Everyone knows that the creation of the European Economic Area (EEA) next year – provided Swiss voters ratify the treaty creating it in a December referendum – will increase the permeability of the border, and that will add to the need for close co-ordination at all levels.

All sides now want to co-operate and are doing so. The canton of Geneva and the Rhône-Alpes regional government have just agreed to sit down to try and draw up a common development plan.

The members of the Conseil du Léman have underwritten the cost of reviving an abandoned rail line on the south shore of the lake.

"Our first task was just to get to know each other. Now we have to move on to concerted action," says Mr Deferr.

■ INFRASTRUCTURE

Fraught with difficulties

Despite calls for a coherent regional transport strategy, co-ordination on the ground is bedevilled by the existence of two different sets of national laws and regulations, five regional governments and several independent transport authorities.

Even co-operation between Geneva and its immediate neighbours on commuter services for the city's 30,600 "frontaliers" is proving a slow and painful process. Transport Publics Genevois (TPG), the Geneva public transport authority, has just celebrated the opening of the very first cross-border bus service linking the northern outskirts of Geneva with the Pays de Gex.

Previous attempts to establish cross-border operations have been stymied by the refusal of both France and Switzerland to allow foreigners to practice cabotage by picking up passengers en route, and by French reluctance to pick up the subsidy tab.

The new line solves the cabotage problem by separate licensing on each side of the frontier, while the TPG and the Department of Ain will pay a pro rata subsidy for their share of the route. Mr Christoph Stücki, TPG director, hopes this will set a precedent for other routes.

The SFr1.1bn light metro system planned for Geneva in 2005 could also be extended into France at some future date, Mr Stücki says, but so far the French authorities have been unwilling to commit themselves.

Cross-border commuting by train is also difficult. SNCF, the French railway, runs the local network from Thonon and Evian as a feeder service for France's mainline rail system and says commuter services into Geneva are not a priority. To the north of the Leman there are no French commuter services at all.

Co-ordination between Geneva and Vaud leaves something to be desired

Co-ordination between Geneva and Vaud also leaves something to be desired. The public transport authorities have not been able to agree even on common ticketing arrangements, let alone an extension of the metro. Nor have the two cantons resolved differences over building a third rail line between Geneva and Lausanne.

These local difficulties are compounded on a regional level. The five cantons and departments comprising the Conseil du Léman do not necessarily see eye-to-eye on transport policy. Even when they do, there may be practical obstacles to co-operation. The last word on railways and motorways belongs to national governments. Finances are limited. Laws may prohibit spending across boundaries.

A good example is the acknowledged need to improve road and rail links along the south side of the Léman. Residents and businesses have been agitating for years for a South Léman motorway (the Trans-Chablaisienne), and are even prepared to finance the road privately.

The French authorities, which already have plans to upgrade the most congested section of road between Thonon and Geneva, say the motorway would be uneconomic. Environmentalists are also opposed. But a categoric refusal by the Swiss government to guarantee extension of the Trans-Chablaisienne into the Valais has dealt the project a possibly fatal blow.

Meanwhile, alternative plans to upgrade the railway along the southern shore have been handicapped by the SNCF's lack of interest, even though the Conseil du Leman has put up FFr1.6m to rehabilitate the "Tonkin" line from Evian running east to the Valais.

The absence of a high-quality transport network is clearly impairing prospects for development on the French side of the lake. Poor connections with the Haute-Savoie also hurt the Valais. Despite recent extension of the motorway up the Rhone valley to Brig, at the foot of the Simplon pass leading to Italy, the Valais has yet to overcome its relative isolation.

The economic benefits from the north-south transalpine rail tunnel to be carved out under the Lötschberg peak to the north of Simplon will not be felt until well into the next century. When they are, the effect may be to draw the Valais closer to central rather than western Switzerland. The new air service to Sion, the Valais capital, run by regional airline Crossair, hops over the mountains to Zurich rather than down the valley to Geneva.

In contrast, the Swiss side of the Léman has excellent road and rail communications but offers relatively few new development possibilities. Thus interest has chiefly centred on extending the transport infrastructure westwards, opening up the areas of France close to Geneva to the south towards Annecy and to the west towards Lyon.

The final Jura section of the Geneva-Lyon motorway was opened two years ago and completion of the Geneva link to Annecy and thence to Chambéry and Grenoble is planned for 1995. Linking the Swiss motorway system – and Geneva airport – with the French will be the long-awaited Geneva ring road, scheduled to open next June.

Meanwhile, the canton of Geneva and the Swiss government are pushing Paris hard to secure an extension of the French TGV "bullet train" network from Macon north of Lyon to Geneva. This would cut the Geneva-Paris trip from 3½ hours to 2 hours 10 minutes.

French and Swiss ministers agreed last month to accelerate studies on the Geneva-Macon line with a view to making a decision next spring. But it is clear that the line will not go ahead without a hefty financial contribution from Switzerland, perhaps as much as two-thirds of the estimated FFr13bn it will cost to build.

Plans for further improvement are being constrained by Geneva's budgetary problems

The French authorities are also considering a TGV line running south from Geneva through Annecy and Chambéry to Provence and Turin in Italy. This would suit Annecy but not Geneva, from where 80 per cent of rail passengers go north.

Also, although the Conseil du Léman backs the Geneva-Macon link, the canton of Vaud has broken ranks by going ahead with feasibility studies on a possible TGV spur direct to Lausanne from the projected Rhone-Rhine route linking France and Germany.

The region is no better co-ordinated over air services. Cointrin, Geneva's international airport, serves the entire Léman region, and there is direct access to the airport from France. But the airport, which handled 5.6m passengers last year, is financed and run by the canton alone, with some financial help from the government in Berne.

Plans for further improvement of passenger and aircraft handling facilities are being constrained by Geneva's budgetary problems. Meanwhile, although it cannot match Geneva's international network, Cointrin's main rival – Lyon-Satolas – is making a determined bid for regional pre-eminence. Talk of co-operation between the two has so far resulted in a linking coach service but little more.

Frances Williams

■ BANKING AND FINANCE

Competition intensifies

Geneva has long been a leading international financial centre, and still ranks fourth after Tokyo, New York and London in terms of fund management with $265.9bn under management at the end of last year, according to a recent study by Technimetrics, the London investor relations research group.

Competition is intensifying, however, and the city's financial leaders are now enlisting help from all sides, including their neighbours, to maintain the centre's dynamism.

The strongest pillar of Geneva's financial centre is international private banking: managing the fortunes of rich individuals. By definition, a high degree of discretion surrounds this business, but Geneva is generally believed to be the world leader in it.

Chase Manhattan Private Bank, which is one of several non-Swiss banks to have a significant presence in the city, estimates that wealthy individuals have placed some $2,000bn in banks outside their home countries. Banks in Switzerland hold more than a third of it, and Geneva banks more than half of the Swiss total.

By contrast, commercial and investment banking activity has tended to gravitate to Zurich although Geneva bankers suspect that they account for rather more than 30 per cent of the value of the country's securities transactions. That is the figure that has been used in assessing the Geneva Stock Exchange's contribution to the costs of the national project to develop an electronic securities trading system.

Signs of trouble with the competitiveness of the Swiss financial centre emerged in the mid-1980s when liberalisation elsewhere suddenly made Swiss practices look outdated and expensive.

The first steps towards liberalisation and rationalisation came in the late 1980s when a capital market syndication cartel was broken and in 1990 when a consolidation of the country's seven stock exchanges into three was agreed.

Geneva benefited from both these changes. It was S. G. Warburg Soditic, a Geneva house, that was the first and most aggressive bank to compete against the old syndicate cartel. The closure of the Lausanne Stock Exchange made Geneva's exchange effectively the national exchange for French-speaking Switzerland.

Mr Jacques Treyvaud, chief executive of the Cantonal Bank of Vaud, was immediately invited to join the board of the Geneva exchange and a new form of collective membership was created so that all the former Lausanne Stock Exchange members could have access to the Geneva ring.

"We very much want to put our structure and operations at the disposal of other Romand cantons," says Mr Thierry Lombard, vice-chairman of the exchange.

The Geneva exchange itself is under threat of extinction as trading activity concentrates in Zurich and London and the creation of a national electronic exchange approaches. Bank Julius Baer, a leading Zurich private bank, has withdrawn from the Geneva Exchange and Swiss Volksbank said it would give up its membership this year.

In response, the exchange decided to open its membership to non-Swiss bankers for the first time, inviting Mr Maurice Dwek, chairman of Warburg Soditic, and Mr Pierre Dejardin-Verkinder, chief executive of Banque Scandinave en Suisse, to join the board. Mr Claudio Generali, president of the Lugano-based Banca del Gottardo, which is controlled by Sumitomo Bank of Japan, also joined the board.

Its other initiative has been to create a foundation – Fondation Place Financière – to co-ordinate the efforts of all interested parties in the promotion of Geneva as a financial centre.

Geneva's financial leaders say that even though there are more than 80 banks in the city, there is very little sense of community such as one finds in the City of London or on Wall Street. In large part, this is because each bank tends to work on its own, managing its clients' funds and minding its own business. As there is little capital market activity, there is little occasion for banks to work together.

The foundation is an attempt to compensate for this atomisation, to bring people from different types of banks together to work on improving the city's financial centre.

Mr Lombard, who chairs the foundation, says promotion is the first function of the foundation. "We need to attract people who are willing to take risks; who have a vision of the future," he says. He wants to create an impression that Geneva is an exciting financial centre where innovative bankers, such as Mr Edmond Safra and Mr Edgar de Picciotto, come and build up successful private banking businesses.

The foundation's other ambition is to make Geneva a recognised European centre of financial education by creating an institute for studies in financial analysis with pan-European recognition.

Although regional co-ordination in financial matters has intensified on the Swiss side in recent years, there is still little cross-border financial activity with the French departments of Haute Savoie and Ain.

The main element would probably be the accounts held by Swiss commercial banks for many of the 30,000 French nationals who commute to work every day in Geneva.

At the moment, the French national banks have very strong positions in these markets and differences in legal systems have discouraged cross-border activities. However, with the prospect of full recognition and mutual acceptance of banking licenses coming into effect between Switzerland and the European Community next year, there have been some recent moves.

Ian Rodger

LEMAN REGION 3

■ PROFILE: BOBST

Deep roots in Lausanne

BOBST, the world leader in cardboard packaging machinery, started life just over 100 years ago as a humble print supplies shop in Lausanne. Although it now employs 5,400 people worldwide, production continues to be centred in Lausanne, almost all of it for export.

Like many Swiss companies, the original family remains intimately involved in the company's affairs. Descendants of the founder, Joseph Bobst, and his son, Henri, retain a majority shareholding with two other families. Mr Bruno de Kalbermatten, company president, is Henri Bobst's son-in-law. Of the nine executive directors, four are family members.

It was Henri Bobst who, in 1940, invented the first automated die-cutting press for making cardboard boxes. The company now makes machinery for manufacturing and printing cardboard and paper packaging of every shape and size, from the famous triangular Toblerone boxes and cigarette packets to corrugated casings for safe delivery of domestic appliances.

Last year, Bobst had a worldwide turnover of SFr1.13bn, while consolidated net earnings were up 18 per cent to SFr71m despite the global recession. Although growth has slowed this year, the company is still predicting satisfactory results for 1992 – in sharp contrast to the difficulties now being experienced by many other Swiss machinery manufacturers.

Two-thirds of Bobst's sales go to Europe, with North America accounting for 10-20 per cent. Bobst has dominated the market in these countries for high-performance, extremely reliable machines, and some 8-9 per cent of turnover is spent on research and development.

However, the group is also expanding its medium-price product range of simpler machines. This is partly to tap growing markets in the developing world – a quarter of worldwide sales last year – and partly to serve increasing demand in the industrialised countries from recession-hit or smaller companies seeking a cheaper alternative. Nearly half Bobst's total sales last year were of medium-priced machines.

Bobst's global network is chiefly focused on sales and after-sales service. Although the group has machining and assembly plants in the US, Brazil and Japan, these are intended chiefly to maintain a notional manufacturing presence in these markets.

Taxes are relatively low and the economy prosperous despite *a nasty recession*

In Europe, Bobst has affiliates in France, Germany, Denmark and Italy, bought as going manufacturing concerns with their own distinct product ranges. Some 60 per cent of the group's total production by value is still based in Lausanne.

Family links as well as tradition clearly give the company deep roots in Lausanne and, more generally, in the Canton of Vaud. However, Mr Andreas Koopmann, Bobst's production director – with no family connections – says there are also economic advantages.

Chief among these is a highly skilled workforce. "Even the simplest of our packaging machines has 21,000 parts", says Mr Koopmann. "Our production requires a lot of technical know-how." He says the Swiss apprenticeship and technical schools system "gives us the people we need".

Mr Koopmann also cites Lausanne's central position in Europe, where most of Bobst's production goes, good communications and Switzerland's tradition of labour peace. Taxes are relatively low, the economy prosperous despite a nasty recession, and the quality of life is high.

There are also disadvantages. Costs are high, not only for labour but for land, buildings and energy. Bobst faces a constant battle to curb costs, making full use of techniques such as "just-in-time" stock control, and has recently introduced "work islands" or autonomous teams that have enabled it to reduce support staff and boost productivity.

Another problem has been recruitment of qualified workers in tight labour market conditions, although current high unemployment means this is not the constraint it was.

Perhaps most importantly, the political and planning environment is not very encouraging for industry wanting to establish or expand. Bobst's French affiliate, S. A. Martin, recently built a new factory in the Lyon area. From purchase of the land to completion of the building took 18 months, including obtaining planning permission for re-zoning. A comparable exercise in Vaud could take four to eight years, says Mr Koopmann.

Bobst has no intention of uprooting from Lausanne, or shifting more production abroad. But like most successful Swiss exporters, the company is a staunch supporter of closer European integration through the European Economic Area (EEA) and eventual Swiss membership of the European Community.

Frances Williams

■ THE WINE INDUSTRY

Serious economic problem

AGRICULTURE and food industries are among the most important contributors to the economy of the Léman region.

In the French department of Ain, the 250 companies in the sector have combined sales of FFr11bn and employ 4.2 per cent of the workforce. In the Swiss canton of Vaud, home to Nestlé, the world's largest foods group, 10,000 people work in agriculture and food industries.

Cheeses are the most important agricultural products of the region, with output concentrated mainly in Haute Savoie, famous for its reblochon, and in Vaud, the source of gruyère.

The region is also known for its mineral waters, especially Evian which bubbles up from a spring on the south shore of Lac Léman, and for chocolate. Oddly, of the 15 Swiss companies that make chocolate, only Nestlé is based in the Léman region.

The region's second-largest agricultural product is wine – and it is also the one that these days is the most troubled, at least on the Swiss side.

It is distressing to think that an area as beautiful as the steep north slopes rising from Lac Léman between Lausanne and Vevey could be the source of a serious economic problem. But groves of grapes basking in the warm autumn sun have helped to create Switzerland's very own wine lake and early reports of another excellent harvest this year indicate that things are going to get worse before they get better.

The Léman region is Switzerland's main wine-producing area, responsible for about 80 per cent of national output. Most of it is in the form of white wines made from the Chasselas grape that are pleasant but not memorable.

Until recently, viticulture has been a remarkably successful business in Switzerland – indeed, it is the only sector of Swiss agriculture that has been consistently profitable.

This success was no great tribute to the growers. They have benefited from an extraordinarily high level of protection from foreign competition, enabling them to sell virtually all of their output on the domestic market at unrealistically high prices.

Viticulture has been consistently profitable *Picture: Tony Andrews*

Domestic wines accounted for 45 per cent of consumption last year.

With a captive home market, growers have spent little effort trying to build up exports or an international reputation. Exports are a pathetic 1 per cent of output; less than 2m bottles a year.

However, change is in the wind. At the beginning of this year, the government lifted quotas on bulk red wine imports and, in the context of the Uruguay Round of multilateral trade negotiations, is likely to lift all remaining quotas by 1995.

The government has also imposed yield restrictions on growers for the first time, in an attempt to prevent further substantial additions to existing surpluses.

The source of the industry's troubles was a period of short-ages in the late 1970s which led to very high prices. Many growers responded by expanding production in the early 1980s. This led inevitably to excessive yields in good years, the latest instance being in 1989 when some 170m litres were produced, 27 per cent more than normal annual consumption.

As of last June 30, stocks of white wine – which accounts for about 60 per cent of total production – stood at 105m litres. And this year's output will probably add another 80m litres to the lake.

All this is made worse by the fact that domestic consumption is falling. Last year, the Swiss drank 303.8m litres of wine, 4.25 per cent less than in 1990 and the lowest level in a decade. Demand for domestic wines fell less than for imported ones, but only as a result of severe price cutting.

The growers are attracting little sympathy among the Swiss public. Comfortable in their protected market for a long time, they made little effort to boost the quality or prestige of their products, even though consumers were becoming more discriminating. The first AOC (controlled origin label) Swiss wines date from only five years ago.

Several growers have already given up, others are in deep trouble. Cave de Genève, one of the largest co-operatives with 244 grower-members, has been unable to pay its members for their crops as a result of the slump in prices this summer, and is straining with a stock of 5m litres and debts of SFr40m.

Ironically, Vin-Union-Genève, the federation of Geneva growers, was among the first to recognise that the market was changing. They have urged members to shift their emphasis in the past few years from quantity to quality.

Last month, the Fédérations Romande des Vignerons called for help from the federal government to get rid of the surpluses.

The government has a "fonds viticole" to which growers contribute for providing emergency aid to the industry, but officials say any action would have to be approved by parliament and could not be taken until next summer. Opposition from the big German-speaking cantons for more aid for the Romandy vineyards is likely to be substantial.

"It will be very difficult," an official in the federal agriculture office predicts.

Even if aid is agreed, it is not clear what would be done with the surpluses. Some suggest distilling it, others would use it for food processing. The simplest method would be to pour it down the drain, but industry leaders agree that would be a marketing disaster.

Another problem is that growers who have voluntarily limited their production in recent years are not too happy about the idea of emergency fund money going to those who have produced too much.

Ian Rodger

In the post-Cold War world, Geneva is being forced into battle to retain its pre-eminence as Europe's "international" city. Swiss neutrality is no longer a special advantage.

The political centre of Europe is shifting eastwards, boosting the claims of rivals such as Berlin, Vienna and Prague. These and other European cities, notably Bonn, have been trying to lure the United Nations and other international organisations with a range of financial incentives, including free office space and accommodation.

Geneva and the Swiss government are fighting back, with mixed success. The loss to The Hague earlier this year of the 1,000-strong secretariat to administer the forthcoming UN treaty outlawing chemical weapons was a big blow. Geneva is now in competition with UN headquarters in New York for the much smaller Commission on Sustainable Development, the body that will follow up the ambitious agenda set at the UN "Earth Summit" in Rio de Janeiro last June.

Among the 15 UN organisations already based in Geneva are the UN's European headquarters, the World Health Organisation (WHO), the International Labour Organisation (ILO), the High Commissioner for Refugees and the World Meteorological Organisation. The city is also home to the International Committee of the Red Cross, the General Agreement on Tariffs and Trade (Gatt) and the European particle physics laboratory, CERN.

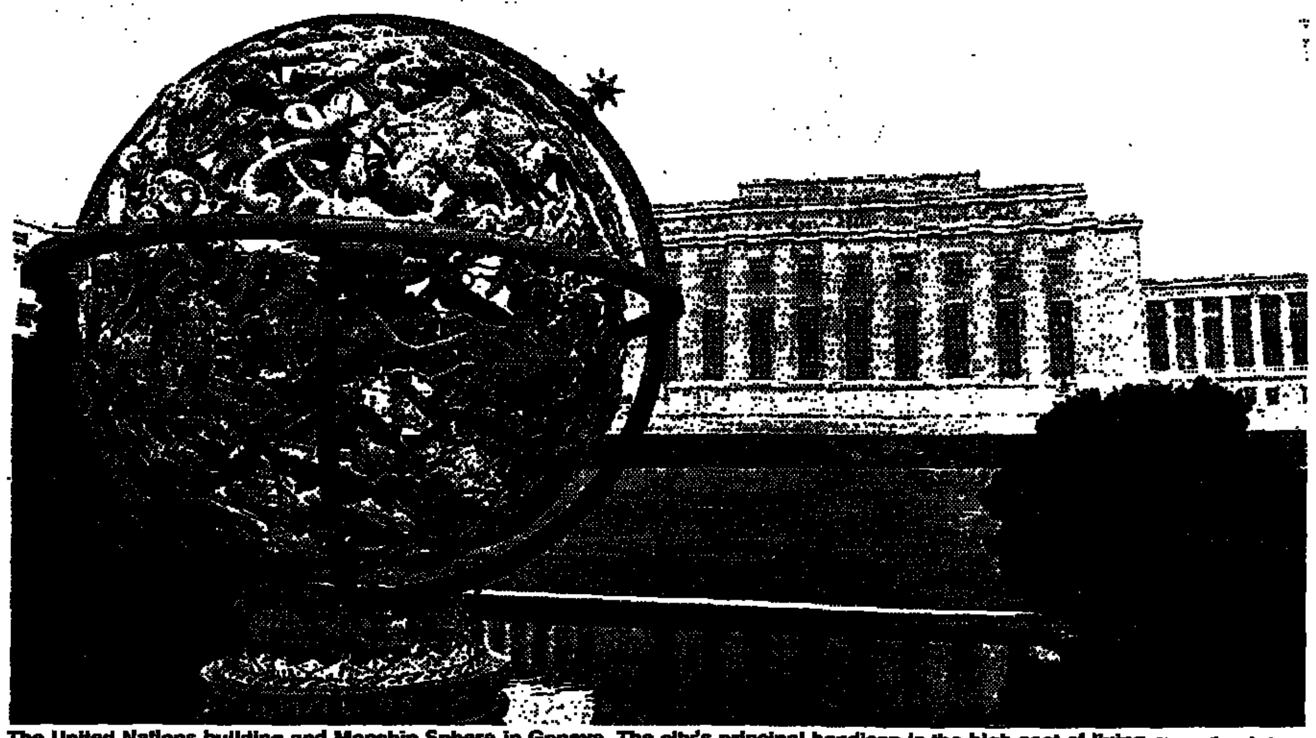
Along the lake in Vaud are the World-Wide Fund for Nature (WWF International) at Gland and the International Olympic Committee in Lausanne.

Capturing and keeping UN bodies in Geneva involves high economic stakes for both canton and region. According to the Cantonal Statistics Service, 46 per cent of the UN's 21,700 staff live in France and spend much of their salaries there, compared with 44 per cent who live in Geneva. Another 10 per cent commute from Vaud.

UN meetings and conferences also generate huge amounts of business for Geneva airport

Most of the SFr3bn spent last year by the international organisations went to the region in salaries or payments to local companies. In all, the international sector accounts for about 10 per cent of cantonal income and about the same proportion of employment. When non-government organisations and diplomats from the 131 countries with UN missions in Geneva are included, total international employment was about 25,600 last year.

The benefits are felt indirectly, too. "International Geneva" has pulled in a range of private companies, research bodies and lobby groups. For Du Pont and Glaxo, for example, proximity to the WHO was one reason for siting international operations in Geneva.



The United Nations building and Manship Sphere in Geneva. The city's principal handicap is the high cost of living *Picture: Tony Andrews*

■ INTERNATIONAL ORGANISATIONS

Geneva pulls them in

UN meetings and conferences also generate huge amounts of business for Geneva airport and the city's hotels, restaurants, taxis and public transport. The 90,300 delegates who attended 1,672 UN-sponsored meetings in Geneva last year accounted for 40 per cent of hotel bed-nights.

Geneva's principal handicap is the high cost of living, which makes it one of Europe's most expensive cities. There is also the curious anomaly that Switzerland is still not a UN member although it belongs to most UN agencies. But the city and its surrounds also boast considerable advantages as a result of the existing congregation of international organisations.

Most UN members already have representative missions in Geneva – an important consideration for poorer, smaller countries. International transport links and telecommunications are excellent. The city is multilingual. The necessary infrastructure – such as conference facilities and hotel accommodation – is in place. The proximity of related organisations makes, at least in theory, for better co-ordination and efficiency.

In its unusually high-profile campaign to host the Sustainable Development Commission, the Swiss government has emphasised the large number of environmental and related bodies which have already made the region their home.

Swiss interest in the Sustainable Development Commission stems less from its size – no more than 50 people – than its possible "multiplier" effects in making Geneva a "world environment capital". The government is offering to subsidise the Commission to the tune of SFr1.5m a year for its first five years. Like other UN bodies in Geneva, it will also be given a free site and a subsidised loan for building by FIPOI (the Buildings Foundation for International Organisations), which is run jointly by the canton and the confederation. Over the past 25 years, cheap credits extended by the foundation have totalled more than SFr750m.

Over the past 25 years, cheap credits extended by the foundation have totalled more than SFr750m.

The government has in addition offered the UN SFr60m towards construction of an international environment centre which would bring together in one building all the various UN and many non-governmental bodies now scattered around the city and neighbouring areas.

The Swiss even have the perfect building in mind – the lakeside Palais Wilson, first seat of the pre-war League of Nations, which is due for reconstruction after being partly destroyed by fire in 1987.

Heading the Swiss campaign is Mr Jürg Leutert, of the directorate for international organisations in the Swiss Foreign Ministry. He and other Swiss officials have visited some 50 capitals in recent weeks to drum up support for Geneva, emphasising not only financial incentives but also Geneva's independence from the political imbroglio of the UN in New York.

"If countries want a strong independent Commission, they should decide on Geneva", Mr Leutert says.

Despite support from, among others, the US and the Arab League, Mr Leutert puts Geneva's chances at no more than 50-50 when the decision comes before the UN General Assembly in New York early in November. UN cost-paring, as well as politics, may decide the outcome. On that decision may also hang the future location of another, even smaller, offshoot of Rio, the secretariat for the convention on biodiversity, where Geneva is in competition with Seville.

Mr Leutert says that even if Geneva loses the fight for the Sustainable Development Commission, the environment centre will still go ahead. And Mr Michel Constantin, director of FIPOI, is confident that international organisations already in Geneva will not leave whatever the temptations elsewhere. It would simply cost too much to do so, he says.

Frances Williams

■ PROFILE: SALOMON

Trouble-free diversification

THE Léman region boasts, among other things, a very large concentration of ski equipment manufacturers.

On the Swiss side is Authier, a specialist maker of alpine skis and snowboards based at Bière, west of Lausanne, while Haute Savoie is home to three well-known producers, Salomon, Dynastar and Lacroix.

If the border of the region was pushed as far south as Grenoble, Rossignol, the world's largest supplier of alpine skis and parent company of Dynastar, could be included as well.

It was in Annecy that Mr Georges Salomon invented the safety binding for alpine skis in 1947, and the company that he formed there has since grown steadily to become one of the world's leading suppliers of ski equipment and one of the three largest industrial employers in the Haute Savoie department.

A typically conservative family company, Salomon stuck to its specialisation – bindings – for more than 30 years, leading the market in technical innovation and maintaining a dominant world market share, now about 44 per cent.

In 1980, executives recognised that the ski business was maturing and there was little more growth to be had from bindings. So they began a programme of diversification.

Most industrial companies have difficulties with diversifications and acquisitions, but Salomon's efforts have been remarkably trouble free to date. There are two themes in Salomon's diversification programme – extensions of existing product lines and entering markets with significant innovations.

The first move – in 1980 – was the introduction of the rear-entry ski boot. It became very popular because of the ease with which it could be put on and taken off. It enabled Salomon in a short time to become the world's second-largest alpine boot maker after Nordica of Italy, with a 20 per cent market share.

The other prominent move was the group's acquisition in 1984 of Taylor Made, then a small US maker of innovative golf clubs, known as metal-woods. They perform the function normally done by clubs with wooden heads, but are made entirely of metal. They are lighter than woods and perform better, and thus have become very popular among professionals.

When Salomon bought it in 1984, Taylor Made had sales of about FFr70m and was virtually unknown outside the US. Now it has sales of FFr800m all over the world.

The Taylor Made acquisition also took Salomon away from winter sports for the first time, something many winter sports equipment makers have attempted in order to remove the seasonal concentration from their activities.

Two years ago, Salomon again entered an already mature and crowded market – that for alpine skis – with an innovation. It made its skis from a single mould rather than the conventional laminate of various high performance materials. It has positioned the skis at the top end of the market and claims to have taken a 20 per cent share of that segment. This year, it is aiming to sell 200,000 pairs, enough to reach break-even on the project.

GROUPE SALOMON

Other diversifications have seen the company move into bindings and boots for cross-country skis and, more recently, walking and hiking shoes. In response to a market trend, it has also belatedly introduced a conventional front-entry alpine ski boot.

The result of this programme has been to create a much more balanced enterprise than Salomon was in the late 1970s. Of the group's total sales of FFr3bn in the year to March 31, 1992, some 60 per cent came from alpine ski equipment and 27 per cent from golf equipment. Sales were spread remarkably evenly among the main geographical markets, with 27 per cent in North America, 36 per cent in Japan, and most of the rest in Europe.

Although less than 8 per cent of group sales were in France, the group has continued to concentrate most of its manufacturing – except for golf equipment, hiking boots and branded accessories, such as rucksacks – in the Annecy area.

It has seven factories in the area, employing some 1,700 people. In addition, most of its sub-contractors are in the Léman region. Precision parts come from the Arve valley specialists, plastic moulds from Oyonnax in Ain, and a score of small manufacturers in and around Annecy make finished products for Salomon.

"The advantage of being here is that we are very close to the ski resorts," says Ms Anne-Marie Berrette, group secretary. "Everyone here is a skier and we try to keep aware of customer needs."

Group executives tend to use Geneva's Cointrin airport for their international travel, finding it more convenient and with more connections than Lyon's airport.

Salomon became a quoted company in 1983 but the Salomon family still holds 40 per cent of the shares and a majority of the voting power. The group's financial performance was strong until 1989 when a combination of a paucity of snow in Europe and a depressed golf equipment market hurt sales and sent the group into its first losses, totalling FFr91m.

The following year, the loss increased to FFr257m as the weakening of the yen and the US dollar added to the group's problems.

A rationalisation programme was carried out in 1990, eliminating 380 jobs in France and 600 abroad. One of the seven factories in the Annecy area – which made golf clubs – was shut down.

Last year, thanks to good skiing conditions around the world, sales bounced back, rising 13 per cent, and a net income of SFr66m was recorded.

Salomon expects the consolidation trend in the winter sports industry, which has been apparent for the past three or four years, will continue. The group has a strong balance sheet, and is open to the possibility of making acquisitions, although none are planned at the moment.

Ian Rodger

LONDON STOCK EXCHANGE

Big gains in equities after policy shift

By Steve Thompson

THE FUNDAMENTAL shift in economic policy detailed on Tuesday evening by Mr John Major, the UK prime minister, was the trigger for another burst of enthusiastic buying in London's equity market.

The prime minister's new strategy – "Growth is what we need; a strategy for growth is what we are going to have" – gave an immediate shot in the arm to a market already on the upward tack and looking for a series of Europe-wide interest rate cuts.

The Footsie 100 index followed Tuesday's near-55 point jump with a further improvement of 28.7 to 2,645.7. The latest rise in the market was accompanied by a sharp surge in activity.

Equity turnover expanded rapidly yesterday, when over 850m shares changed hands in the market. Dealers said that figure almost certainly would see the value of customer business transacted in the equity market top the crucial £1bn mark. Customer business on Tuesday, when the markets factored in hopes of more cuts in interest rates, totalled £1.22bn.

The shift in strategy by the government coincided with a general round of easing of monetary policy across Europe. The Bundesbank, as expected, signalled an easing of policy yesterday by encouraging lower money market rates, albeit by slightly less than some of the more optimistic market observers had hoped.

Marketmakers, already wrong-footed by last week's sudden one-point reduction in UK interest rates and the recent unexpected backing down over pit closures, moved quickly to hoist share prices as the market opened.

The Footsie 100 index was up over 25 points within an hour and was driven some 43 points higher at its best, in mid-morning, as UK and overseas institutions, both piled into the market.

There was more good news for investors, with official retail sales figures for September showing a better than expected rise of 0.2 per cent; the general consensus in the market had been for a marginal decline in retail sales over the month.

Cyclical stocks, including retailers, building materials and contractors, properties and leisure stocks were keenly bought. But the utilities, regarded as safe, defensive areas of the economy, attracted periodic bouts of profit-taking and closed with widespread falls. Food retailers also suffered, with at least two of the City's leading broking firms adopting a cautious stance.

BP and Shell were given a rough ride after broker downgrades while Lloyds Bank followed Barclays in being downgraded by market analysts.

A late bout of profit-taking in the equity market, caused by a lacklustre performance by Wall Street, a slight decline in short sterling and the sterling exchange rate, took the Footsie 100 off its best in the afternoon, but dealers remain happy with the short and medium-term outlook for the market. "We'll see nothing more than small setbacks in the near-term," said the head of marketmaking at one UK securities house. Another market observer said the fundamental change in the political and economic outlook could see the Footsie challenge its all-time high of 2,744.5, achieved on May 11 this year.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Oct 5	Oct 19	Nov 2
Option Declarations:	Oct 15	Oct 29	Nov 12
Last Dealings:	Oct 16	Oct 30	Nov 13
Account Day:	Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

GEC hit by broker sell advice

HEAVY trading in GEC followed advice to take profits by investment bank Kleinwort Benson. Shares in the defence and electronics group retreated 5 to 244p. More than 21m shares were traded, the second highest turnover this year, as increasing worries over the outlook for the defence and power engineering sectors found vent in the market.

Kleinwort's Mr James Dodd said: "GEC has had an extraordinarily good run, outperforming the market by 31 per cent over the past year, including 8 per cent in the last quarter. The company is also cash rich, so it is hit by any fall in interest rates. Its potential for growth is consequently limited."

Mr Dodd added that there were a number of strategic uncertainties likely to impinge on GEC in the near future. These included concern that UK defence spending would be a prominent victim of public sector spending cuts.

In addition, a Democratic victory in the US presidential elections would hit US defence spending. GEC would also suffer from any fallout from rationalisation of the European Fighter Aircraft project, plus the potential for delays to orders of gas-fired power stations in the light of recent events.

Lloyds downgraded

Strong reports that a leading integrated securities house had chopped its profit forecasts on Lloyds Bank caused a flurry of activity. The speculation prompted the shares to tumble from a high of 352 and close a net 10 off at 324p with a hefty 10m shares traded, leaving the stock one of the weakest in the Footsie 100.

Lloyds opened firmly in the morning, sharing in the general optimism within the sector. However, during the afternoon, the market heard that S.G. Warburg had taken a harsh view of the bank's prospects. Warburg was not prepared to comment but institutional investors who had spoken to the house were saying that it had slashed its 1992 forecast by £200m to £600m. This would leave Warburg at the bottom of the range of estimates. The fact that Lloyds is the quality play in the sector gave the change of view a greater impact.

Shell switch

Shell Transport fell after one house argued that the benefits of recent currency shifts were already in the price and investors should shift some of their holdings into British Gas.

Hoare Govett's oil analyst, Mr Nick Antill, cut his 1993 net income forecast for Shell to £2.85bn from £3.2bn and downgraded the stock to "hold" from "buy". He said that D-Mark profits were likely to suffer in the forthcoming year as were margins in the company's chemicals arm. The shares fell 5 to 536p on turnover of 6.1m.

Mr Antill also argued that following the government's recent debacle over British Coal, it might take a softer line on privatised utilities and British Gas was looking more attractive. Gas rose 4½ to 261p on turnover of 7.6m.

The Hoare note also reviewed prospects for BP, Burmah and Calor as a result of the deteriorating economic conditions. BP slipped 3 to 233½p on heavy turnover of 10m shares. Burmah lifted 7 to 641p and Calor improved 9 to 214p.

Builders strong

The property, housebuilding and materials suppliers sectors were the day's strongest performers as investors seized on the likelihood of further interest rate cuts as evidence that the sectors were destined for sustained recovery. There were some spectacular gains, of which RMC stood out rising 44 to 448p, benefiting from both German and UK interest rate hopes. The group derives 45 per cent of its business from Germany. Among other materials groups, Meyer International gained 24 to 225p, Marley 9 to 80p, and Redland 24 to 347p. Strong housebuilders included AMEC, 11 firmer at 75p, Barratt 9 at 73, and Wimpey 11 to 106p. Among property groups, MEPC rose 28 to 308p, Great Portland 17 to 115p, Hammerson 25 to 226p and Land Securities 16 to 431p.

However, analysts cautioned that the rises were probably not sustainable in the short term. Even if interest rates were to be cut again, the lack of confidence among potential house buyers was such that recovery would be a long time coming. Mr Robert Donald at County NatWest said: "House prices have to stop falling before confidence can be restored to the sector. This will take a lot longer than by simply cutting interest rates." He added that when recovery does come, with 1994 pencilled in considering the present climate, he believed the pure housebuilders would be the ones best positioned to benefit.

A shift in stance by UBS Phillips & Drew on the food retailing sector held back several stocks as the house moved from overweight to neutral. It also moved from a hold to a sell on Argyll, steady at 358p, and Kwik Save, up 3 at 705p.

BZW downgraded Tesco, trimming £10m from this year's forecast to £570m. Disappointing sales were said to be behind the downgrade. The shares slipped a penny to 237p. Argos leapt 16 to 258p after being recommended by S.G. Warburg.

Exploration and production group Lasmo added a further 12 at 188p on heavy turnover of 6.3m shares. Investors are optimistic ahead of an Indonesian seminar on natural gas set for early November.

The recovery story struck a strong chord in the leisure sector where dealers reported chunky turnover and steady gains. Forte rose 7 to 164p in heavy volume of 9.2m. Ladbroke 11 to 160p in 8.6m and Rank Organisation 18 to 548p in 2.9m.

The rise of SmithKline Beecham slowed following Tuesday's solid third-quarter figures. It closed 3 up 530p. Nikko Securities believes the rating is up with events and was advising clients to switch into Wellcome, which lifted 14 to 993p.

Aerospace and medical technology group Smith Industries jumped 21 to 329p, boosted by an upbeat statement from the chairman as the company reported profits in line with market expectations and a 5.1 per cent increase in the final dividend. However, Smith New Court remains cautious on the outlook for the next year and trimmed its previous profits estimate for the year to August 1993 by £5m to £100m.

Airports group BAA was volatile. The stock moved 10 ahead to 763p early in the day as a transport conference took place at County NatWest. But a sell recommendation on the stock from UBS Phillips & Drew sent it into retreat. The securities house advised investors to "top-slice" holdings due to continued economic uncertainty. The shares closed 22 down at 731p. P&O jumped 20 to 428p as the company presented to institutions.

Worries over Reuters Holdings prompted traders to chop their prices in early dealings. A number of analysts have been telling clients the stock is overvalued and a lack of buyers yesterday morning saw the share price move back more than 30p.

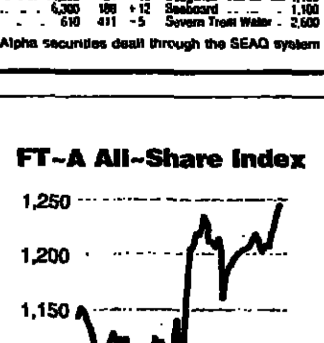
There was also nervousness ahead of an international conference scheduled for today. Reuters chief executive Mr Peter Job is expected to talk to analysts in the UK and US and is renowned for his rather downbeat approach. The stock closed a net 23 off at 1213p on thin trade.

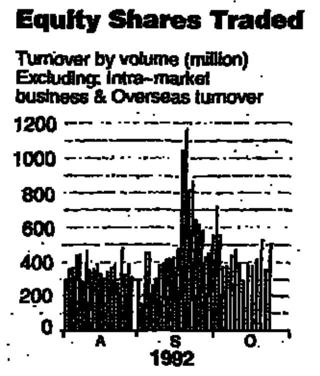
Guinness stood out in a strong drinks sector, the shares retreating 2 to 527p following disappointing figures from French group LVMH, which has a 24 per cent cross-holding with the UK company.

Insurers were strong performers as their solvency margins were boosted by the rise in the market. Royal rose 18 to 209p and Sun Alliance improved 9 to 314p.

MARKET REPORTERS:
Christopher Price
Peter John
Joel Kibazo

■ Other market statistics, Page 22.





NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (173).
BRITISH FUNDS (57) OTHER FIXED INTEREST (2) Met. Water 3pc B, Utd. Mex. States 16½pc '08, AMERICANS (16) Alleghony & Western, Amer T & T, BankAmerica, Bankers NY, CPC, Chrysler, Dana, Dun & Bradstreet, Eaton, FPL, Flour, Gen Elect., Gillette, NYNEX, Rep. NY, Southwestern Bell, CANADIANS (1) Trans Can. Pipe, BANKS (3) Abbey Natl., HSBC, HSBC (75p Shs), BUSINESS SERVS (3) Penna, Rentokil, Salvesen, CHEMS (2) BOC, Engelhard, CONGLOMERATES (2) Jardine, Sime Darby, CONTG & CONSTRCN (1) Dunton, ELECTRICALS (2) Johnson, Motorola; ELECTRICITY (2) China Light, Scot. Power, ELECTRONICS (3) Hoskyns, Racal, Riva, ENG GEN (1) Vosper, FOOD MANUF (2) Unilever, Do N/V, FOOD RETAILING (6) ASDA, Dairy Farm, Kwik Save, Morrison (Wm), Do 5¼pc Pf., Sainsbury, HEALTH & HSEHOLD (2) Amersham, UTD Drug, HOTELS & LEIS (2) City Centre Rstrnts., Mandarin Oriental, INSCE BROKERS (1) Marsh & McLennan, INSCE COMPOSITE (4) Amer Gen., Amer. Intl., Comm Union, General Accident, INSCE LIFE (2) Lincoln Natl., Torchmark, INV TRUSTS (27) Abtrust New Dawn, Do Wts., Abtrust New Thai, Dartmoor 6¼pc IL '05, EFM Dragon, Exeter Prfd Zero Deb. '02, First Philippine, Do Wts., Flmg. Amer., Do Cv '99, Flmg. Intl High Zero Pf., Flmg. O'seas, French Prop, Gartmore Emrg. Pacific, Gartmore Euro, Gen Cons Sppd. Pf., Hong Kong, I & S Optimum Inc. Zero Pf., Independent, Kl'wort High Inc Zero Pf., RIT Capital 2½pc Cv '00, River & Merc. Sppd. Pf., River & Merc. Amer Cap., River Plate Zero Pf., Scot. Nat. Sppd. Pf., Do Zero Pf., Thai Euro Fd., MEDIA (4) Carlton [illegible]

FINANCIAL TIMES EQUITY INDICES

	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15	Year ago	High	Low
Ordinary share	1951.2	1912.9	1867.2	1872.3	1850.2	1936.6	2140.7	1670.0
Ord. div. yield	4.63	4.70	4.80	4.78	4.80	4.78	5.34	4.24
Earning yld % full	6.52	6.72	6.86	6.83	6.87	7.57		
P/E ratio net	19.19	18.91	18.52	18.60	18.50	16.58	20.84	15.79
P/E ratio nil	17.84	17.56	17.21	17.29	17.20	15.86		
Gold Mines	74.4	71.2	68.1	67.1	66.1	173.4	180.6	65.0

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1935.4	1942.0	1952.4	1950.9	1944.8	1954.1	1955.6	1946.9	1948.0	1959.0	1935.4

Volume	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15	Year ago
SEAQ Bargains	32,243	25,321	22,351	28,268	21,116	25,909

† Excluding intra-market business and overseas turnover

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

CONTINUED expectations of a cut in UK base rates led to another strong opening in Footsie futures though the lack of confirmation later dampened enthusiasm, writes Joel Kibazo.

Trading in the December futures contract on the FT-SE opened at 2,685 and the expectations on interest rates drove it sharply ahead to reach 2,705 around mid-morning.

The positive mood, however, gave way to caution which left December gently falling back to the day's low of 2,675 just before lunchtime.

The contract then traded in a 30-point range of 2,675 and 2,695 for the rest of the session with Wall Street having no impact on the day's activities. Once again, the future traded at a strong premium to cash throughout the session although dealers reported fewer opportunities for arbitrage activity.

December ended at 2,696, up 39 on Wednesday's strong finish and around 29 points above its estimated fair value, the premium that takes into account dividends and carrying costs. Fair value is estimated at around 23. Turnover at over 12,000 contracts was very healthy.

Traded options were once again very active with volume reaching 39,021 lots. The FT-SE 100 option traded 13,525 contracts while Lasmo was the most actively dealt stock option, recording a total of 2,444 trades by the close, and was followed by Asda at 1,823.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2645.7 +28.7 | **FT-SE MID 250** 2464.2 +53.8 | **FT-A ALL-SHARE** 1246.09 +16.56

	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2645.7	2617.0	2562.2	2563.9	2546.6	2528.3	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2464.2	2410.4	2380.3	2385.9	2373.9	2511.7	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1270.8	1254.3	1230.1	1231.3	1223.4	1230.9	1324.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2636.8	2642.8	2651.2	2652.1	2645.6	2655.5	2657.5	2646.8	2644.3	2660.8	2636.8
FT-SE Mid 250	2428.3	2439.1	2451.4	2460.0	2458.6	2462.4	2465.7	2462.1	2464.2	2465.8	2428.3
FT-SE-A 350	1263.7	1267.1	1271.6	1272.9	1270.2	1274.4	1275.5	1271.0	1270.3	1276.2	1263.7

Gross dividend yield (ACT at 25%) FT-SE 100:4.55

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Oct 20 Index No.	Mon Oct 19 Index No.	Fri Oct 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	760.37	+2.8	7.47	5.75	17.46	28.80	739.58	727.63	733.07	813.07
2 Building Materials (23)	721.43	+6.9	7.26	7.58	19.50	35.72	675.07	651.34	665.18	986.07
3 Contracting, Construction (26)	604.33	+6.6	3.49	8.24	186.10	36.21	566.89	558.29	568.39	1064.46
4 Electricals (9)	1988.33	+6.1	8.37	7.57	15.79	108.10	1874.89	1887.53	1920.97	2498.86
5 Electronics (27)	2046.60	-1.0	7.97	4.17	15.79	47.93	2066.34	2080.15	2088.52	1717.30
6 Engineering-Aerospace (6)	279.35	+2.1	12.67	8.40	10.04	13.70	273.70	276.69	282.98	357.12
7 Engineering-General (43)	442.48	+2.9	9.10	5.32	14.02	15.75	430.06	425.71	427.79	485.28
8 Metals and Metal Forming (7)	303.81	+1.9	5.72	7.20	25.42	7.52	298.19	297.91	299.04	430.26
9 Motors (14)	311.22	+3.4	6.18	7.59	24.18	17.59	300.85	294.35	295.83	341.21
10 Other Industrials (19)	1803.91	+2.4	6.92	4.61	17.45	60.38	1762.00	1712.94	1715.30	1576.90
21 CONSUMER GROUP (191)	1641.37	+1.3	7.02	3.52	17.67	35.20	1619.85	1589.75	1594.38	1555.14
22 Brewers and Distillers (25)	1956.20	+1.2	8.49	3.77	14.19	41.53	1933.48	1881.91	1896.24	1937.26
25 Food Manufacturing (19)	1245.15	+0.8	8.57	4.25	14.49	31.83	1235.47	1220.95	1223.91	1216.93
26 Food Retailing (18)	2881.59	+0.1	8.66	3.21	14.98	54.15	2879.71	2825.63	2847.80	2445.77
27 Health and Household (26)	4284.03	+1.0	5.14	2.60	22.55	72.10	4243.32	4161.82	4157.70	3771.27
29 Hotels and Leisure (18)	1087.54	+3.1	7.23	6.27	18.21	46.03	1054.67	1027.33	1028.94	1341.13
30 Media (26)	1630.41	+1.0	6.08	3.22	20.51	35.18	1613.61	1592.60	1590.62	1519.26
31 Packaging, Paper & Printing (17)	739.01	+3.3	6.87	4.39	18.13	22.68	715.46	707.84	708.56	765.48
34 Stores (33)	1060.86	+2.6	6.71	3.42	19.83	19.93	1034.08	1020.07	1024.39	1012.47
35 Textiles (9)	676.46	+2.0	7.02	4.54	17.94	16.65	663.35	642.41	644.86	637.74
40 OTHER GROUPS (117)	1320.19	+0.8	9.45	5.13	13.25	40.80	1310.29	1287.77	1287.77	1262.78
41 Business Services (18)	1390.44	+1.1	6.36	3.65	19.26	30.60	1374.91	1340.60	1344.36	1403.46
42 Chemicals (22)	1338.61	+1.5	7.33	5.42	16.95	48.48	1318.36	1292.92	1308.69	1452.94
43 Conglomerates (10)	1343.41	+2.0	8.58	8.19	14.92	40.93	1317.31	1284.97	1278.77	1497.46
44 Transport (14)	2548.38	+1.1	7.89	4.64	15.60	76.54	2521.56	2459.09	2465.18	2325.13
45 Electricity (16)	1395.36	-1.7	14.88	5.26	8.66	55.01	1418.91	1421.33	1412.88	1219.76
46 Telephone Networks (4)	1528.91	+1.0	9.88	4.32	13.19	46.15	1513.05	1486.76	1489.83	1522.00
47 Water (11)	3013.30	-1.3	14.84	5.74	7.46	86.85	3051.84	2977.38	2983.05	2315.98
48 Miscellaneous (22)	2235.65	+1.6	5.90	4.51	21.28	55.75	2200.76	2168.66	2149.86	1868.22
49 INDUSTRIAL GROUP (482)	1317.62	+1.4	7.89	4.42	15.89	35.99	1299.65	1276.62	1280.07	1278.90
51 Oil & Gas (18)	2116.60	+0.1	6.37	6.13	20.56	97.68	2114.29	2072.17	2056.65	2445.74
59 500 SHARE INDEX (500)	1391.50	+1.2	7.73	4.60	16.28	40.79	1374.36	1349.68	1351.87	1378.47
61 FINANCIAL GROUP (83)	789.95	+2.0	–	5.56	–	31.00	774.40	756.04	756.57	782.27
62 Banks (9)	1074.22	+1.3	4.82	5.18	31.13	40.52	1060.04	1035.30	1037.34	925.23
65 Insurance (Life) (6)	1595.64	+1.9	–	5.70	–	68.18	1565.51	1533.20	1531.51	1446.45
66 Insurance (Composite) (7)	569.77	+2.8	–	5.29	–	22.58	554.37	535.81	536.46	588.64
67 Insurance (Brokers) (10)	701.39	+1.2	10.21	8.01	12.87	42.23	693.09	682.61	675.16	1116.41
68 Merchant Banks (7)	475.31	+1.9	–	4.71	–	13.71	466.50	460.55	462.44	476.03
69 Property (30)	592.65	+5.5	9.42	7.12	13.96	23.61	561.85	546.11	544.58	880.72
70 Other Financial (14)	246.21	+1.8	8.11	6.78	16.18	9.35	241.97	239.40	239.52	259.26
71 Investment Trusts (70)	1184.81	+1.2	–	3.78	–	27.54	1170.85	1155.77	1150.95	1230.04
99 ALL-SHARE INDEX (653)	1246.09	+1.3	–	4.71	–	37.90	1229.53	1206.68	1208.32	1235.40

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1148.5	1165.1	1188.6	1212.4	1216.2	1215.1	1215.5	1206.6	1208.2	1207.1	1119.5	+87.6
Health&H	1296.7	1300.5	1301.4	1300.7	1296.5	1303.2	1304.6	1298.6	1297.3	1297.0	1284.8	+12.2

LONDON SHARE SERVICE

BRITISH FUNDS | **BRITISH FUNDS - Cont.** | **BRITISH FUNDS - Cont.**

OTHER FIXED INTEREST

LEGAL NOTICES

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	17⅞xd	−¼	[illegible]	14⅝	[illegible]	2.0
♥Allegheny & W	[illegible]	+8	[illegible]	220p	[illegible]	4.0
Amdahl	[illegible]	+6	[illegible]	455p	[illegible]	1.2
Amer Cyanamid	34⅛	+⅞	37	26⅝	3,[illegible]	2.8
Amer Express	13xd	+½	15⅞	10¾	[illegible]	4.5
Amer T & T	26[illegible]xd	+[illegible]	26[illegible]	20⅛	[illegible]	3.0
Ameritech	41⅛	+⅛	42¼	32½	18,279	4.9
BankAmerica	27¼xd	+¾	27¾	19[illegible]	[illegible]	2.8
Bankers NY	41⅛xd	+⅜	41⅛	28⅞	[illegible]	4.0
Bell Atlantic	29¼	+⅜	29½	23⅛	12,627	5.2
BellSouth	32⅛	+⅛	32⅞	25	15,795	5.0
♥Bethlehem Steel	6⅞xd	+⅛	9⅛	5⅞	621.9	—
Bowater	[illegible]	+30	1578p	905p	434.6	6.8
CPC h	28⅞xd	+⅛	29⅛	22⅞	4,449	2.4
♥Cadiz Land Inc	[illegible]	—	342p	108p	—	—
California Engy	[illegible]	−1	[illegible]	691p	143.6	—
Chase Manhattan	14⅞xd	+½	18½	9⅛	2,221	4.7
Chrysler	15¾xd	+½	15¾	8⅞	4,[illegible]	2.2
Citicorp	9⅞xd	+⅛	11⅛	5⅛	3,[illegible]	—
Colgate-Palm	36[illegible]xd	+1[illegible]	37¼	25¼	[illegible]	2.0
Cont'l Bank	[illegible]	+12	1036p	499p	1,018	3.5
Dana	24⅝xd	+[illegible]	24⅝	14[illegible]	1,129	3.8
Data General	728p	−29	1004p	364p	281.2	—
♥Decora Inds	[illegible]	—	122p	68p	—	—
Dun & Brad	36	+½	36	27⅝	6,425	3.7
Eaton	46⅝	+⅞	46⅝	32½	1,[illegible]	2.8
Echlin	12[illegible]xd	—	12[illegible]	7⅞	683.7	3.4
FPL	22⅞xd	+[illegible]	22⅞	17[illegible]	4,[illegible]	6.4
Fluor	29⅛xd	+⅛	29⅛	19¼	2,302	0.8
Ford Motor	28[illegible]xd	+⅛	28⅛	15	11,487	2.5
Gen Elect	47⅞xd	+½	47⅞	36⅛	40,472	2.8
♥General Host	[illegible]	−8	[illegible]	360p	—	3.6
Gillette	36⅞xd	+⅛	36⅞	23[illegible]	[illegible]	1.1
Hasbro	21¼	−⅛	21½	12⅞	1,845	0.5

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Value ...... rs	82	—	84	49	9.9	61.6	0.2
Sec Alliance ...... ♣	1236	+18	1263	1066	3.9	1433.6	13.8
Second Market ...... s	253	—	253	222	8.8	298.3	15.4
■Sec Tst Scot ...... ♣	68¼	+½	75½	61	8.5	73.7	9.4
Select Assets	94	+1	102½	78½	1.2	142.5	34.4
Eq Ind Serl	118	+2	123	106	4.8	—	—
Eq Ind Serll	118	+2	122	105	4.8	—	—
SHIRESCOT	96	—	98	96	—	96.0	0.0
Shires ...... ♣	198	+4	249	188	12.4	209.3	5.6
11pc Cv Ln '03/04	£104½	—	£119½	£95½	10.5	—	—
Siam Select	69	+1	91	68	9.4	122.8	27.5
Warrants	11	—	21	10	—	—	—
■Smaller Cos	66	—	85	66	8.1	75.0	13.3
Warrants	13	—	20	10	—	—	—
Somerset Tst	114	—	148	55	—	86.6	-31.7
■Sphere Inc ...... N	13	+½	20	9½	31.0	20.1	37.9
Zero Div Pf	72½	—	77¾	63¾	—	—	—
Sonnil	32	—	55	30	6.2	93.1	65.6
■TR City of Lon	111½xd	+2	127½	97½	5.7	114.1	2.3
■TR Euro Growth	76	+1	98	70	2.4	98.3	22.6
Ptg Sub	33	—	54	33	6.5	—	—
■TR Far East Inc ...... M	101	+1	101	76	5.0	118.0	14.4
Warrants	17	—	22	12	—	—	—
TR High Inc	98	+1	110	91	8.2	100.8	3.3
Sub ...... g	22	—	35	21	9.1	—	—
■TR Pacific ...... s	95	+1	99	70	0.4	107.2	11.9
■TR Prop	15¾	+¼	27	14½	12.3	32.7	52.2
■TR Smaller	116	+1	152	98	4.3	136.1	15.1
■TR Technology	24½	+1½	37	18	9.5	115.9	80.2
Stepped Pf	95¾	+1	102¾	89¾	8.8	—	—
Zero Pf	165	+1	166½	154½	—	—	—
■Temple Bar ...... ♣N	248	+2	277	225	7.8	273.3	9.1
6pc Cv Ln 2002	£95	—	£117½	£80	6.3	—	—
Templeton Em	211	+1	224	165	1.8	212.4	0.7
Warrants	89	+1	100	59	—	—	—
1pc Cv Ln 2001	£218	+2½	£228½	£162½	0.8	—	—
Thompson Clive	121	+1	130	88	4.2	180.7	33.3
■Thornton Asian	63	+1	65	51	1.1	87.4	27.9
Warrants	4	—	11	4	—	—	—
Thornton Pan Euro	25	—	38	24	6.3	30.9	19.1
Warrants	1	—	6	1	—	—	—
Throg Dual Inc	82	—	99	82	16.1	—	—
Cap	373	+3	379	260	—	575.3	35.7
■Throg 1000 Smts Cos	78	—	89	76	—	—	—
■ Warrants	11	—	14	10	—	—	—
■Throgmorton Tst	43	+½	63	39	7.1	60.7	29.2
Warrants	8½	—	23	5	—	—	—
Tor Inc	365	+5	485	298	17.7	—	—
Cap	573	+5	665	490	6.9	1018.2	44.2
Trio Inv Tst	56¼	—	62	35	2.4	43.5	-29.5
Trust of Prop	47	+1	52	35	4.1	59.5	22.8
Turkey Trust ...... s	121	—	160	118	1.1	160.3	24.5
Warrants	20	—	45	20	—	—	—
■USDC ...... ♣†	162	+4	170	137	2.5	201.9	20.0
US Smaller Cos ...... s	101	+2½	107	81	0.1	112.2	10.4
Warrants	36	—	41	28	—	—	—
■Value & Inc ...... K	67	+2½	78	58½	7.4	74.4	10.7
Venturi	9	—	9½	7½	—	11.6	22.6
Inc ...... †	35	+1	38	33	13.0	—	—
Cap Indexed	160	—	170	139	—	—	—
Welsh Indl	85	—	135	63	7.8	148.0	22.3
Whitbread Inv	525	+5	527	483	3.8	648.7	19.1
■Witan ...... N	162½	+1½	179	139	4.5	191.7	15.2
■ Warrants	85	+3	102	64	—	—	—
■Worth	17	—	19	15	0.8	27.3	39.6
Yeoman Inc	108	+1	112	96	16.8	—	—
Cap	144	+1	178	119	—	155.5	8.0

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Baring Chrysalis$ ...... a	478	—	508	368	8.1	—	—
Warrants	85	—	153	66¾	—	—	—
Baring Puma $ ...... Z	988	+15	1181	761	0.3	—	—
Biotech Rd Pf $	135	—	181	130	—	222.4	39.3
■China & Eastern ...... Z	122	+2	138	85	0.6	—	—
■Euro Assets Fl	208	+2	224	186	3.2	259.6	20.1
Fidelity Jap OTC	294	—	303	221	—	—	—
Warrants	14½	—	68	14½	—	—	—
♥First Pacific $	7½	—	9	5	8.2	—	—

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Hemlo Gold C$	£4⅝	—	£5 11/16	£3⅛	445.9	2.1
■‡‡Ivernia West IE	36	—	53	32	18.1	—
■‡‡Kells Mins IE	18	—	42	14	0.43	—
■‡Kenmare	4⅛	+¼	8½	2¼	4.88	—
Melinga Res	9	-½	40	8	0.99	—
‡‡Navan Res IE	31	—	31½	16	4.15	—
North West Expl A$	3	—	6	2	1.81	—
Oryx Gold	51	—	183	48½	—	—
Plateau	3¾	—	13	3	1.37	—
■RTZ	616	+14	689	469	6,178	4.2
♣Vizcaya	1¼	—	3	1	0.87	—
♥Western & Pac C$	67	+5	86	7	36.9	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund America	5	135.0	136.5	143.7	+1.10	0.00
AIB Grofund Equity	5	184.2	186.8	197.7	+4.48	1.79
AIB Grofund Euro	5	136.9	139.3	146.6	+2.20	0.42
AIB Grofund Gilt	3	74.37	74.39	76.69	+1.04	5.66
AIB Grofund Japan	5	119.3	120.7	127.0	+0.29	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	367.6	369.7xd	393.4	+7.0	3.34
General Acc	5	400.3	402.7xd	428.5	+7.8	3.34
UK Growth Acc	6	269.8	274.1xd	291.6	+5.8	3.79
UK Growth Inc	6	193.5	196.6xd	209.2	+4.1	3.79
Higher Inc Acc	6	459.1	463.3xd	492.9	+11.1	5.39
Higher Inc Inc	6	280.6	285.6xd	303.9	+6.9	5.39
Gilts/Fxd Inc Acc	5½	165.5	165.5xd	175.0	+2.2	7.14
Gilts/Fxd Int Inc	5½	89.19	89.19xd	94.30	+1.18	7.14
Nth America	6	212.6	217.4xd	231.3	+2.8	0.00
Far East	6	222.4	222.4xd	236.6	+2.5	0.47
Europe	6	192.5	192.5xd	204.8	+1.4	0.91
Brit Excell	6	55.07	55.07	58.59	+1.34	3.86
Brit Fndmtls Acc	6	69.96	69.96xd	74.43	+1.69	6.18
Brit Fndmtls Inc	6	54.92	54.92xd	58.43	+1.33	6.18
Global Opps	6	56.04	56.93	60.57	+0.79	0.00

Abbey Unit Tst Mngrs (1800)H
80 Holdenhurst Rd, Bournemouth 0345 717373

High Income

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	126.4	126.4xd	134.2	+1.7	7.71
High Inc Equity	6	120.2	122.9xd	130.7	+3.1	6.50
Worldwide Bond	6	249.3	249.3	264.2	-0.2	5.39

Capital Growth

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	234.6	234.6	250.9	+2.6	.71

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	115.60	115.90	122.00	+0.90	6.30
Pooled Pension §	3½	131.2	139.2	144.0	+4.2	-
Smaller Cos	5	49.86	51.64	54.36	+0.20	2.76
UK General	5	107.10	108.70	114.40	+1.80	2.67
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	338.15	338.15	358.44	+5.87	5.75
Global Inc	5	48.06	48.06	50.94	+0.47	4.77
Brit Leaders	5	289.32	289.32	306.68	+3.66	3.33
Intl Leaders	5	156.64	156.64	166.04	+2.18	1.98
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	44.83	44.91	47.77	+0.27	2.08
Far Eastern Tst	6	50.95	51.13	54.38	+0.25	0.91
Smaller Cos	5	105.3	108.9	116.1	+0.5	3.09
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American §	5	234.7	235.1	248.7	+0.8	0.97
S & W Capital	5	101.9	101.9	109.1	+1.30	2.04
S & W Cash §	0	100.68	100.68	100.68	+0.02	9.11
S & W European	5	99.69	100.1	105.9	-0.6	1.48
S & W Far Eastern	5	100.9	101.7	107.5	-1.1	0.14
S & W Growth	5	110.5	111.4	117.8	+1.90	1.68
S & W Income	5	93.05	94.31	99.80	+1.39	5.98
S & W Magnum	5	107.9	107.9	115.7	+1.5	1.87
S & W Smlr Secs	5	234.7	239.8	253.7	+0.7	1.21
S & W Thoroughbred	5	124.5	124.5	133.4	+1.70	1.85
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	83.94	83.94	85.89	+1.29	0.00
Short Dtd Gilt	1½	106.5	106.5	107.9	+1.4	1.93
U.S. Govmnt Bond	1½	0.7003	0.7003	0.7095		0.00
Gilt Income	4	51.06	51.06	53.15	+0.76	9.30
Gilt Growth	4	62.42	62.42	64.96		0.00
City Reserve	0	54.86	54.86	54.87	+0.02	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	58.19	58.40	62.12		2.85

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Oct 21	606.9	627.41	+52.01	1.11
James Capel Fund Managers Ltd				
Managed Exempt.	115.746	122.421	+1.828	4.57
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	...	5.89
Fxd Int Sec Sep 30	144.40	145.00		10.00
Deposit Fund. See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc.	173.0	175.0	+2.50	9.37
Charinco Acc.	990.2	1001.8	+14.4	9.37
Charishare Inc.	170.2	174.1	+3.40	4.54

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc.*	15 9	16 91	+0.2	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Mr Govett Gen NAV Oct 16		$16.24	......	-
Paragon Pfd Red Oct 1		£9.17	......	-
Paragon Stlg Red Oct 1		£10 60	......	-
St Asian Wrt NAV Oct 15		$9 81	......	-
Govett Mngd Futr Oct 16	£13 82	15.11	......	-
Govett Mngd Ftrs Oct 15	$09.92	10.85	......	-
Man Horizons Inv Oct 15		$13.04	......	-
Man Horizons Inv Wts Oct 15		$5.81	......	-
Dllr Geared Bd Oct 16		$8.00	......	-
IBI Global Funds Limited				
Intl Stlg Gwth	£19 13	20.14	+0.80	-
Intl $US Gwth	$17.58	18.51	-0.14	-
High Income Gilt	£25.39	26.32	+0.56	-
International Equity	£19.12	20.14	+0 72	-
International Bond	£22.04	22.85	+0.94	-
Managed Currency	£26.92	27.20	+0.55	-
Sterling Currency	£26.24	26.51	+0.08	-
US$ Currency	$37 66	38 05	+0.01	-
Irish £ Currency	I£14.94	15.10	+0.05	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.18	8.81	......	-
B F Offshore Inc Fd Ltd	£10 71	11.21	......	-
Neilson Vidata NAV	£8.76	9.12	......	-
LFM Sterling Fd	£10 69	11.14	......	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc.	£1.699	1.770xd	+0 017	2.79
Japan Inc & Gwth	£1 358	1.457	......	1.88
Sterling Denominated Growth Funds				
Capital Deposit	137 61	37 62		-
European Perform.	£0.4174	0 4488xd	+0 0073	-
Far East	£2 354	2.531	+0.035	-
Pioneer Markets	£3 341	3.592	+0 044	-
UK Growth	£1 148	1.234	+0 046	2 20
£ Mng Portfolio	£1 499	1.621	+0 021	-
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0.638	0.686	+0 011	-
Japan Performance	$2.049	2 199	-0 009	-
Gtd NW 1994 **	$9 10	-		-
MIM London Agents				
Apollo Fd Oct 21*	SFr78.00	83 72	+1.72	-
*Weekly Dealing. †Fortnightly Dlng **Monthly Dlng.				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2 307	2.423xd		1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 88	9.92xd	+0.12	9.47
Minerals, Oils Res. Shrs. Fd. Inc.				
Moret Oct 15	$13.63	13.92xd	...	2.87
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	51 8	54.0xd		8.31
UK Equity Fd (z)	201.1	214.0	+0 03	2.99
*Intl Bond Fd.	94 0	97.0	...	7.53
**Natural Resources Fd	110 2	117 0		0.43
*Sterling Mngd Assets Fd	511 2	539 0	...	5 00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCorp Currency Fund (z)				
Dollar Class		$37.9727	-2.0214	-
Sterling Class		£26 6459	+0.0006	-
D-Mark Class		DM82 5499	+0 0108	-
Dutch Guilder Class		Dfl82.1173	+0 0237	-
Japanese Yen Class		Y7926.4189	+0 6715	-

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank checks dollar rally

THE DOLLAR'S recent rise against the D-Mark was checked yesterday after the Bundesbank's operations in the German money market signalled a smaller easing in policy than had been expected, *writes James Blitz.*

On Tuesday, the Bundesbank caused excitement by saying that it would revert to a variable rate repurchase agreement in its weekly money market intervention, allowing the market some say in the cost at which it borrows funds.

However yesterday's operation caused widespread disappointment. The Bundesbank drained funds to the tune of DM2.7bn, and the accepted market rate fell by only 15 basis points to 8.75 per cent.

The operation was accompanied by comments from Mr Reimut Jochimsen, a member of the Bundesbank council, who said that the belief that interest rates could only go lower was exaggerated. After peaking overnight in Asia at 1.5240, the dollar fell more than 1¼ pfennigs in Europe to close at DM1.5070. The longer term outlook for the dollar is still disputed. The gradual easing of German policy may soon be accompanied by higher interest rates in the US, forcing the dollar up. Mr Bill Clinton's election as President in a fortnight's time may bring public spending growth, and the Federal Reserve could check this with tighter monetary policy.

However, Mr David Cocker, chief economist at Chemical Bank in London, said that a Fed tightening of policy could be a more distant prospect than expected because Mr Clinton's policies could not be in place before the spring at the earliest.

Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, says the dollar will be weighed down next year by high US bond yields and the possibility that the Fed will ease rates again after the election. In his view, the market fails to realise that Mr Clinton, if elected, will exacerbate the prime reason for dollar weakness: the US budget deficit.

Sterling was partly undermined by the Bundesbank's "repo" operation, falling nearly 4 pfennigs to close at DM2.4330. But the bulk of the fall was triggered by the British prime minister's suggestion that his government had opted for a policy of "going for growth."

However, Mr Neil Mackinnon, chief economist at Citibank in London, believes that sterling's weakness will be cushioned by similar cuts in German rates. He sees a far sharper fall in the sterling/dollar rate, predicting a low of $1.45 over the coming year.

Fears of a realignment of the Exchange Rate Mechanism at tomorrow's meeting of the European Monetary Committee weakened ERM currencies against the D-Mark earlier in the week. Those fears faded yesterday: the peseta closed at Pta70.94 to the D-Mark from a previous Pta71.13.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4127	-3.68	3.56	51
Dutch Guilder	2.29193	2.21016	-3.57	3.44	46
D-Mark	2.03412	1.96413	-3.44	3.31	52
Danish Krone	7.79901	7.55644	-2.61	2.43	-1
French Franc	6.82216	6.66401	-2.32	2.12	-17
Irish Punt	0.759300	0.744343	-1.97	1.76	-30
Portuguese Escudo	176.844	174.866	-1.12	0.88	-2
Spanish Peseta	139.176	138.832	-0.25	0.00	-17

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

CHICAGO

[illegible]

LONDON (LIFFE)

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	4.12	4.70	-	0.03	0.24	-
107	3.13	3.85	-	0.07	0.35	-
108	2.21	3.07	-	0.15	0.58	-
109	1.37	2.35	-	0.30	0.84	-
110	0.72	1.78	-	0.61	1.18	-
Open int	312,644	93,853	1,702	218,902	83,151	1,460

Estimated volume 312,644 † Total Open Interest 711,712
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	9	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	9
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	9	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	8.5	Roxburghe Bank Ltd.	10
Bank of Ireland	8	Girobank	8	Royal Bk of Scotland	8
Bank of India	8	● Guinness Mahon	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	Habib Bank AG Zurich	8	Standard Chartered	8
Banque Belge Ltd	9	● Hambros Bank	8	TSB	8
Barclays Bank	8	Hampshire Trust Plc	13.5	Unibank plc	8
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk.	8	● United Bk of Kuwait	9
● Brown Shipley	8	● Hill Samuel	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	C. Hoare & Co.	8	Western Trust	8
Citibank NA	8	Hongkong & Shanghai	8	Whiteaway Laidlaw	8
City Merchants Bank	8	Julian Hodge Bank	8	Yorkshire Bank	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	8	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	8		

MONEY MARKETS

Shortages continue

PERIOD rates in the sterling cash market softened markedly yesterday morning after the UK prime minister said that there would be a new emphasis on "going for growth" in economic policy, *writes James Blitz.*

As the day progressed, however, shorter-dated maturities and 3-month money firmed because of serious liquidity problems in the discount market.

On Tuesday night, Mr John Major said that a strategy for growth was what the UK now needed. Dealers interpreted this as a sign that more base rate cuts are likely: three month money fell to a low of 7⅞ per cent on the offered side, while the December short sterling contract rose 41 basis points to a high of 93.47. At this level, the contract assumes that 3 month money will be at around 6½ per cent by the end of the year.

However, in the afternoon, continuing shortages in the sterling money market forced shorter dated rates up again.

The Bank of England's forecast of a £2.05bn shortage was the latest example of liquidity problems in the London market. A tax collection period has started, creating shortages among the commercial banks.

The problem is compounded by the reluctance of dealers to sell bills because they believe there could be another imminent cut in UK base rates. That reluctance was characterised by a large figure of £665m for late assistance yesterday.

One-month money yesterday closed a full percentage point higher than base rate on the offered side. One-week money closed at 11¼ per cent offered, while the "overnight" rate peaked at 25 per cent during the day. One clearing bank dealer said these market rates make the cost of funding expensive for the clearers. His bank had met with Bank of England officials to discuss the problem.

A second bearish influence on rates yesterday was disappointment that the Bundesbank had conducted a net draining of funds in the German money market after signalling on Tuesday that there would be a variable rate repurchase agreement. The Bundesbank accepted all "repo" bids made at the lowest rate of 8.75 per cent, 15 basis points below than the previous one.

UK clearing bank base lending rate 8 per cent from October 16, 1992

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

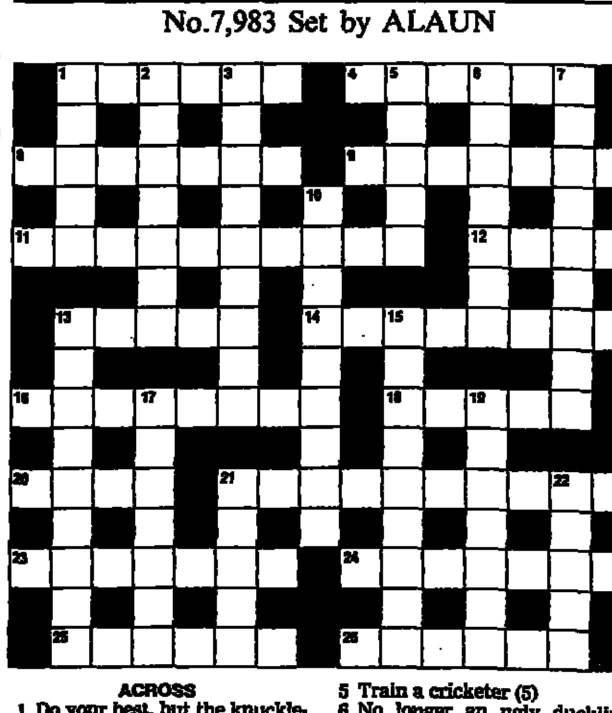
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,983 Set by ALAUN



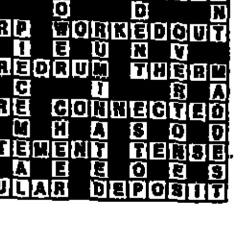
ACROSS

1 Do your best, but the knuckle-head is given time (6)
4 Extend your holding in America (6)
8 Goes off for fixing (7)
9 Make one inclined to order (7)
11 A bedside chair? (6,4)
12 Being alone at first (4)
13 A small boy carrying food (5)
14 Taking the girl by the hand escaped, running round the building (8)
16 Understood to have sold for (8)
18 Invent something about a holiday island (5)
20 See the light (4)
21 Determined to have and to make a home in (6,4)
23 Instrument with a loop on the end that can kill (7)
24 A trial that makes sense (7)
25 Little more than a second (6)
26 Heavy to get down (6)

DOWN

1 Taking an age to return the ring (5)
2 It's disgraceful that upstanding youths should carry the can for (7)
3 Strains to win when one goes to court (9)
5 Train a cricketer (5)
6 No longer an ugly duckling and I'll tell you why (7)
7 Run down, dad! Edgar is locked out (9)
10 Hard-wearing, but expensive to import? (5-4)
13 Flock home (5,4)
15 Don't forget to reassemble (9)
17 Back for Christmas lay into, but treat less harshly than before (3,2,2)
19 Stood nude, shivering and embarrassed (7)
21 A little brusque (5)
22 Not still afraid (5)

Solution to Puzzle No.7,982



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible] x ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4 pm close October 21

[illegible]

MONTREAL

4 pm close October 21

[illegible]

INDICES

NEW YORK

DOW JONES	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3187.10	3186.02	3188.45	3174.41	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.83	101.99	102.21	102.27	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1306.68	1296.51	1284.22	1283.21	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.95	216.51	217.95	218.14	225.99 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3211.69 (3223.31) Low 3163.33 (3166.30) (Theoretical♦)
Day's High 3199.80 (3213.04) Low 3179.81 (3179.00) (Actual♦)

STANDARD AND POOR'S

	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	415.67	415.48	414.98	411.73	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	487.16	486.44	485.94	481.74	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.65	36.65	36.51	35.94	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	228.60	228.58	228.24	226.44	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	373.42	371.40	368.54	367.33	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	597.15	592.70	590.67	582.61	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 16	Oct 9	Oct 2	year ago (approx.)
Dow Industrial Div. Yield	3.27	3.31	3.24	3.00

	Oct 14	Oct 7	Sep 30	year ago (approx.)
S & P Industrial div. yield	2.76	2.80	2.70	2.69
S & P Indl. P/E ratio	26.77	26.45	27.40	21.44

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Merck	5,862,600	42	- 1/8
Conner Periphls	3,498,000	18 5/8	- 2 1/2
Chrysler	3,141,000	26 3/8	+ 3/8
Telefonos	3,106,900	48 3/8	....
IBM	2,766,600	68 5/8	+ 1/4
Eli Lilly	2,631,200	59 1/2	- 1 1/8
Gen Motors	2,607,500	31	+ 1 1/4
Philip Morris	2,557,000	78 5/8	+ 3/8
Compaq Computr	2,472,200	38 5/8	- 1
Syntex	2,345,600	25 1/4	- 2 3/8

TRADING ACTIVITY

† Volume Millions	Oct 21	Oct 20	Oct 19
New York SE	218.990	258.220	218.670
Amex	14.066	13.731	10.205
NASDAQ	(u)	232.364	198.129
NYSE			
Issues Traded	2,337	2,365	2,355
Rises	831	1,031	1,070
Falls	910	816	743
Unchanged	596	518	542
New Highs	74	104	88
New Lows	63	42	45

CANADA

TORONTO	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW
Metals & Minerals	2652.20	2630.44	2643.05	2641.53	3238.87 (16/1)	2603.82 (15/10)
Composite	3252.60	3241.80	3225.48	3207.70	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1700.26	1691.36	1681.83	1668.88	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW
AUSTRALIA						
BELGIUM						
DENMARK						
FINLAND						
FRANCE						
GERMANY						
HONG KONG						
IRELAND						
ITALY						
JAPAN						
MALAYSIA						
NETHERLANDS						
NORWAY						
PHILIPPINES						
SINGAPORE						
SOUTH AFRICA						
SOUTH KOREA**						
SPAIN						
SWEDEN						
SWITZERLAND						
TAIWAN**						
THAILAND						
WORLD						
M.S. Capital Intl.(1/1/70) ($)	489.3*	487.7	489.1	490.7	[illegible]	[illegible]
Euro Top-100 (26/6/90)	818.99	821.32	803.82	806.33	[illegible]	[illegible]

**Saturday October 17: Taiwan Weighted Price: 3749.32, Korea Comp [illegible]
♦ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX General [illegible] Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and [illegible]
(c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, October 21, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	2.7m	270	+8	NEC Corporation	1.6m	886	+9
NPN Steel Corp	1.9m	292	-1	Toshiba Corp	1.5m	570	+3
Hitachi	1.8m	737	+14	Mitsubishi Heavy	1.5m	553	
Dai Nppn Toryo	1.8m	410	+16	Inabata	1.5m	1,170	+50
Nikken Chems	1.7m	992	+3	Kawasaki Steel	1.4m	293	-2

4 pm close October 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
[illegible]										

- B -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
[illegible]										
48¼	43⅞	BearStPIA	3.25	7.3		3	44¼	44¼	44¼	
23¾	16⅝	Bearings	0.64	3.6	74	12	18	17¾	17⅞	
23⅝	17⅝	Beckman In	0.32	1.6	14	34	20¾	20⅝	20⅝	-⅛
78⅞	64⅛	Becton Dks	1.20	1.6	15	396	77¾	76⅛	76¾	-1¼
37½	25⅞	Belding Hy	0.64	2.0	23	10	32⅛	32⅝	32⅝	-⅜
49¾	40¼	Bell Atlan	2.60	5.5	14	3417	47⅝	47⅛	47¼	-⅛

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
8⅛	2⅞	Salant Crp			11	120	7⅝	7¼	7⅝	+⅛
78	63½	Sallie Mae	1.00	1.4	17	9261	71⅞	70⅛	71⅜	-⅛
14⅛	13	Salomon Br	0.60	4.3		97	13⅞	13¾	13⅞	
38¼	26⅝	Salomoninc x	0.64	1.7	11	1593	38⅛	37⅛	38	+½
25	21¼	SanDgo G&E	1.44	6.0	14	4074	24¼	23¾	24	-⅛
4⅞	2⅛	SantaFeEn x	0.40	10.0	44	18	4⅛	4	4	
9⅞	7	SantaFeEls r	0.16	1.8	243	874	u9⅞	9⅝	9⅞	
39¼	30¾	SantaFePac	2.80	7.2	11	42	39⅛	38⅝	39⅛	+¼
14⅛	10⅝	SantaFeSth	0.10	0.8	18	2266	12⅛	11⅞	12⅛	-⅛
88½	48⅝	Sara Lee	1.00	1.7	19	1601	u58⅞	58	58⅞	+⅞
8½	1¼	Savin			0	4	1⅝	1½	1½	
44¾	38⅞	Scana Corp	2.88	6.4	13	86	42⅛	41⅞	42⅛	+⅛
47⅞	40¼	Scecorp	2.80	6.4	13	2336	43⅞	43⅛	43½	-½
88	48⅞	SchoringPl	1.58	2.6	17	3879	60⅝	59⅝	59⅞	-⅛
70⅝	62¼	Sch'berger	1.20	1.8	19	8223	68⅞	67¼	68	-2
37⅛	18⅝	Schwab(C)	0.24	1.3	10	1734	18½	18¼	18⅛	+⅞
10⅝	4½	Schwitzer			52	121	6	5⅞	5¾	-⅛
29⅞	15¼	ScientAtln	0.16	0.5	42	2721	u29⅝	29	29½	+½
10⅝	7⅛	Scotsman x	0.10	1.1	114	35	9⅛	9	9⅛	+¼
48	34½	ScottPaper	0.80	2.2	18	1765	37⅛	36⅞	36⅞	+⅛
17½	13½	ScudderNAsF	0.22	1.8		131	14½	14⅜	14⅜	-⅛
9¼	8⅛	ScudderNEuF	0.30	3.5		299	8⅝	8½	8⅝	
24	13	Sea Contrs	0.57	4.3	6	46	13⅝	13¼	13⅛	-⅛
15⅞	14⅞	SeaC1.4625	1.46	9.6		7	15½	15¼	15¼	-⅛
31	25⅛	Seagram Co	0.56	2.2	13	642	25⅞	25¼	25⅞	
32	21⅝	Seagull En			106	312	31⅛	30⅞	31	
28½	20½	Sealed Air			11	163	22⅛	22	22¼	+½
23	12¼	SPX Corp	0.40	2.0	27	178	20	19⅞	19⅞	-⅛
48	37	Sears Roeb	2.00	4.7	10	2632	42⅛	42	42⅛	-⅛
13¼	11⅞	Seligm Sel	0.84	6.7		180	12⅝	12⅛	12½	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
14⅞	12½	World Wide	0.25	2.0		34	12⅞	12¼	12¾	
12⅝	5⅞	Worldcorp			39	832	6⅞	6¼	6⅛	
37⅞	22	Wrigley	0.40	1.1	29	839	35	34⅛	34⅞	+⅞
18⅛	12⅞	Wyle Labor	0.28	1.6	15	473	18	17⅞	17⅞	
23⅛	16⅛	Wynns Int	0.60	2.6	8	25	22¾	22⅜	22¾	+½
82¼	66½	Xerox	3.00	3.8	18	319	78⅝	77⅞	78	-⅛
55	50½	Xerox4.125				5	53	53	53½	
34⅛	24⅞	Xtra 1.94	1.94	6.1		10	32⅛	31⅞	31⅞	-⅛
47½	28½	Xtra Corp	0.80	1.8	13	51	44	43⅞	43⅞	-1
30⅝	25¼	Yankee Egy	1.68	5.7	13	93	29⅞	29¼	29¼	-⅛
1½	½	Zapata			25	371	1⅛	1	1	-⅛
11⅛	5½	ZenithElec			3	771	6	5⅞	5¾	-⅛
19½	14½	Zenith Nat	1.00	6.1	8	14	16½	16½	16½	-⅛
7½	6	Zenix Inc x	0.62	12.1		167	7	6⅞	6⅞	-⅛
13¾	10	Zero Corp	0.40	3.6	18	480	11⅛	11⅛	11¼	
38	27⅛	Zurn Ind x	0.88	2.8	34	117	31⅞	31½	31⅝	+⅛
14⅛	12	Zweig Fund	1.12	9.1		188	12⅛	12¼	12¼	-⅛
11	9½	Zweig Totl	0.96	9.8		536	9⅞	9¾	9¾	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Brascan A	0.88	24	31	14	13⅝	14	
BSN Corp	0.16	14	10	8⅛	8	8	-⅛
Cal Engy		15	787	13¼	12⅞	13¼	+½
Calprop		0	15	1⅜	1⅜	1⅜	
Can Marc	0.23	8	30	11½	11⅛	11⅛	
Chmbrs A	0.01	5	12950	5⅝	d5	5	-1¼
Chambers		6	497	5¾	d5⅛	5⅛	-1⅛
Champion		46	187	6⅛	6	6	
Giant FdA	0.68	14	424	17¼	17½	17½	-⅛
Glatfltr	0.70	16	51	23⅛	22⅝	23	
Goldfield		3	189	½	⅜	½	
Greenman		6	100	5⅛	4⅞	5⅛	+¼
Gulf Cda	0.34	5	78	4½	4¼	4⅜	+⅛
Hasbro	0.20	22	1340	35	34¼	35	+¼
Health Ch		8	6	1⅜	1⅜	1⅜	-⅛
Healthvst		4	16	1⅜	1⅜	1⅜	
New Line		20	138	11⅜	11	11⅛	+⅛
NY TimesA	0.56	29	1094	25⅝	25⅛	25⅜	+⅛
NthCanOil	0.17	84	7	12⅞	12⅞	12⅝	
Numac O&G		2	3	4⅜	4⅜	4⅜	+⅛
NV Ryan		0	35	⅜	½	½	
Odetics A		31	32	5	4⅝	5	+⅛
Oilsten	0.32	27	209	30½	30⅛	30¼	-⅛
Pegasus G	0.10	38	402	16⅞	16⅝	16⅝	-⅛
Perini	0.80	21	15	11¼	11½	11½	
Vivigen		56	119	15⅞	15¼	15¼	
WangLab C		0	2	2	2	2	
WangLab B		0	1024	⅞	⅞	⅞	-⅛
Westbrld		17	265	6	6	6	
Westamer	0.62	9	3	20½	20¼	20½	+¼
WIRET	1.12	17	128	13¼	13	13⅛	+⅛
Worthen	0.10	9	168	21½	21¼	21⅜	+⅛
Xytronix		5	118	5⅞	5½	5⅝	

NASDAQ NATIONAL MARKET

4 pm close October 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng

AMERICA

Quarterlies and bond weakness hit Dow

Wall Street

DISAPPOINTING corporate earnings and a stalled bond market rally trimmed early gains on US markets yesterday to leave share prices virtually unchanged at the close, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average ended up 1.08 at 3,187.10, well below its early highs when the index approached 3,200. The more broadly based Standard & Poor's 500 also closed slightly firmer, up 0.19 at 415.67, while the Amex composite rose 2.02 to 373.42 and the Nasdaq maintained its recently strong performance with a gain of 4.45 at 597.15. Turnover on the NYSE was 217m shares, and declines outpaced rises by 907 to 828.

Prices opened firmer, buoyed by hopes in Europe that the Bundesbank will cut German interest rates soon, allowing other countries to reduce domestic rates. The market was also boosted by an early rise in bond prices, which have been hard hit lately by concern that if Mr Bill Clinton wins the presidential election he would adopt an expansionary fiscal policy that could reignite inflation and widen the deficit.

Bond prices, however, were unable to hold on to their gains, a weakness which was quickly transferred to equities. Although bonds later recovered, stocks remained troubled by some disappointing third quarter earnings reports from major US companies.

Among the worst performing individual stocks, United Technologies fell $1⅛ to $45½ in turnover of 1.7m shares after the company reported a quarterly profit of 95 cents a share, up from 90 cents a share a year ago but below analysts' forecasts.

Another disappointment was Conner Peripherals, which fell $2¼ to $18¾ in turnover of 2.7m shares in spite of reporting a big rise in profits to $41.9m. The earnings failed to meet market expectations.

Schlumberger dropped $2 to $68 after the oil and electronics group announced third quarter net income of $172.7m, down from $196.2m a year earlier, and said that it remained cautious about near term earnings because of worldwide economic conditions and low business confidence.

Chrysler rose $¾ to $26¼ in turnover of 2m shares in the wake of good earnings figures earlier in the week. The stock also received a boost from broking house Warburg Securities, which raised its earnings estimates for the car group. Ford and General Motors, which have yet to report their earnings, rose $⅛ to $38⅞ and $1 to $30⅞ respectively.

On the Nasdaq market, MCI Communications firmed $¾ to $35⅞ after reporting third quarter profits of $154m, up from $133m at the same stage last year.

Canada

TORONTO share prices ended higher for the fifth consecutive session. The TSE 300 composite index climbed 10.79 points, or 0.33 per cent, to 3,252.63. Advancing issues led declines 288 to 234. Volume was 25.7m shares worth C$252.1m compared with the previous 30.7m shares worth C$283.2m.

The transportation sector jumped 3.02 per cent on index, boosted by Laidlaw B shares, and the industrial products sector gained 1 per cent on index.

EUROPE

Senior bourses break three-day uptrend

THE Eurotrack 100 broke a three-day uptrend yesterday, *writes Our Markets Staff.*

Tuesday's accelerated gains followed an indication from the Bundesbank of lower interest rates *at yesterday's securities* repurchase tender; but a cut of 15 basis points in the lowest interest rate involved, to 8.75 per cent, disappointed market hopes for a drop of 40 or 50 points.

FT-SE Actuaries Share Indices

October 21							THE EUROPEAN SERIES	
Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1020.45	1016.58	1016.42	1018.65	1019.89	1018.72	1015.93	1015.54
FT-SE Eurotrack 200	1094.96	1090.11	1092.03	1094.09	1094.83	1091.76	1086.81	1087.95

	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14
FT-SE Eurotrack 100	1021.70	1001.00	996.54	986.39	992.09
FT-SE Eurotrack 200	1090.40	1063.18	1066.23	1061.28	1074.77

Base value 1000 (26/10/90). Highday: 100 - 1020.72; 200 - 1095.63 Lowday: 100 - 1014.84 200 - 1085.93

FRANKFURT reacted with a 7.55 fall in the DAX index to 1,503.90. German market turnover fell from DM7.2bn to DM6.3bn. A domestic strategist, Mr Horst-Kaspar Greven of Merck Finck in Düsseldorf, said that the disappointment lay with London traders who had expected too much, too soon from the Bundesbank.

Merck Finck is inclined to underplay the interest rate issue, saying that an impressive bond market rally is being outweighed by the dramatic deterioration in the outlook for German corporate earnings.

It sees a downside DAX risk of 1,300 to 1,320. Meanwhile, nine-month figures are due, and sensitive nerves are being stretched by a succession of earnings downgrades: Volkswagen, subject to its latest in a series this week, fell another DM6.80 to DM264.70.

In trucks and engineering, MAN fell DM5.50 to DM210.50; and in steels, after a succession of bad news stories recently, Mannesmann, Preussag and Thyssen fell by DM5.50 to DM210.50, DM9.80 to DM311.20, and DM4.80 to DM311.20.

PARIS opened just under 1 per cent higher, boosted by a strong Matif and continued hopes of an early cut in interest rates. But profit-taking after Tuesday's gains quickly set in and sent the CAC-40 index down to the day's low of 1,712.07. It finally closed 9.02 lower at 1,722.24 as turnover dropped back to FFr2.44bn.

Dealers said that many company presentations at a large meeting of institutional investors had indicated that second half performance this year would not match up to that in 1991.

Thomson-CSF dropped FFr5.10, or 4.5 per cent to FFr109 after the defence company reported a 25 per cent decline in its first-half net and said that it expects a full year decline. Lafarge featured on the upside, adding FFr13 or 4.6 per cent to FFr296. Dealers attributed the rise to the stronger dollar.

MILAN ended lower as Credito Italiano slumped 11 per cent on reports that the bank's privatisation was not likely to benefit minority shareholders. The Comit index fell 7.43 or 1.8 per cent to 408.68 in turnover estimated at around Tuesday's L172bn.

Credito Italiano plunged L250 to L2,025 as investors sold out. The food company, Sme, another privatisation stock which has gained sharply this week, fell 4.1 per cent or L178 to L4,200.

AMSTERDAM turned negative on interest rates in the afternoon, the CBS Tendency index closing down 0.2 at 105.3 after an intraday high of 106.4. Heineken was one of the main losers, down Fl 2.70 at Fl 169.90 on profit-taking after the stock's recent strong performance.

Chemicals were notable winners on the day, with DSM and Akzo ahead Fl 1.00 and 50 cents respectively at Fl 86.50 and Fl 131.30. Elsevier, up Fl 1.80 at Fl 108.20, was another blue chip beat the trend, helped by a good performance by Reed of the UK, with which it is holding merger talks.

ZURICH fell on profit-taking, the SMI index closing 15.1 lower at 1,907.5 and a fall in the dollar putting pressure on dollar-sensitive multinationals like Ciba-Geigy and Roche.

Investors switched into insurance from banking, Zurich putting on SFr55 to SFr1,955 and Winterthur SFr60 to SFr2,750. Ciba-Geigy *dropped SFr9 to SFr625*, Roche SFr20 to SFr3,600, and Ascom SFr40 to SFr1,370 as the telecoms company said that profits will be lower in 1992.

MADRID followed the general trend of thinking, the general index losing 1.42 to 196.67 in moderate turnover of Pta12.50bn. Banco Santander, which reported third quarter figures in line with expectations, gained Pta5 to Pta3,820.

STOCKHOLM continued to rally in moderate trading as falling interest rates and a stronger dollar supported the market. The Affärsvärlden General Index rose 8.0 to 692.2 as turnover declined to SKr466m from SKr593m.

HELSINKI majored on its own fall in interest rates, which left the Hex index up 19.1 or 3 per cent at 661.8 for a two-day gain of 5.6 per cent.

VIENNA was positive on the news elsewhere in Europe and the ATX index firmed 19.67 to 800.31.

China trade hopes drive Hong Kong to new peak

Simon Davies on the colony's outstanding success against other international equity markets in 1992

After a summer lull, Hong Kong has reasserted itself as the best performing major stock market in the world this year. Investors have reacted with enthusiasm as the colony has slid off the hook of another US/China trade dispute, and the upsurge looks set to continue.

The Hang Seng index finished May at 6,080.15, up 41 per cent over the first five months of 1992. After that it was volatile, peaking at 6,162.53 in July but retreating to 5,291.49 by August 25.

The index has recovered this month, anticipating, then celebrating a Sino/US trade agreement which has smoothed China's path towards membership of GATT. This should ensure enormous trade flows through Hong Kong, and has more than made up for any perceived China-baiting by the colony's new governor.

After a 6.9 per cent rise last week, the market has continued to climb. Late buying yesterday drove turnover up from HK$3.45bn to HK$4.19bn ($544m), and took the Hang Seng up another 112.34 to a new record high of 6,200.85 amid rumours that mainland Chinese money was coming in to support the action.

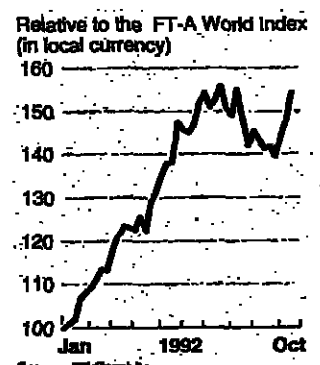
It has been a case of economics getting the better of politics. On the political front, there is uncertainty in Mr Chris Patten's aggressively open policy on the airport talks with China and his push for further democracy within the Basic Law, Hong Kong's mini-constitution after 1997. These will result in a tense few days during his first visit to Beijing.

Further afield, the US elections will inevitably cast their shadow on Hong Kong, both because of the impact they could have on interest rates and on the local currency (the Hong Kong dollar is pegged to the US dollar), and because of their potential impact on trade relations between China and the US.

But last week, international institutions decided that with China becoming a more positive theme and the colony's economic growth trend appearing assured, they had had enough of waiting.

Hang Seng Index

Relative to the FT-A World Index (in local currency)



Source: FT Graphite

Even by Hong Kong standards, a 388-point climb in the Hang Seng Index in just one week is a major vote of confidence; and the outlook remains extremely positive.

Uncertainty about the performance of Mr Patten in Beijing has encouraged some profit-taking, but if one ultimately believes that Hong Kong's airport will be built (and few realistically dispute this), then the stock market looks to be winding up for its Chinese New Year bull run.

Most analysts are anticipating more than 20 per cent corporate earnings growth in the current year, followed up by a similar level in 1993. If the market were to rise to an internationally modest 1993 price-earnings ratio of 13 from its current 1993 p/e of around 10.9, this would leave the Hang Seng Index at more than 7,500.

At present there is a wave of foreign capital which is supporting this upward push, aided by a shortage of alternatives amongst the lacklustre global stock markets.

S.G. Warburg Securities estimates that the Hong Kong market will raise HK$57bn from new equity in 1992, up 60 per cent from 1991. But with HK$48bn in dividend income and an estimated HK$54bn inflow of foreign institutional capital, the stock market is riding on a wave of liquidity.

In addition, Hong Kong investors are still faced with negative interest rates (inflation has fallen to 9 per cent, but the prime rate is 6.5 per cent) and a soft residential property market, which leave few alternative havens for capital.

Many analysts argue that Hong Kong should return to a p/e rating compatible with other Asian markets now that the force of China's economic transformation is clear and Deng Xiaoping's great reform programme is finally written in stone, after last week's 14th Party Congress.

"We are now seeing a continuation of the structural re-rating that began earlier this year, now that several concerns have been lifted. This market has a long way to go," says Mr Sheldon Kasowitz, research manager at Jardine Fleming Securities.

The longer-term concerns are a US-induced reversal of the interest rate trend and a heavy-handed reaction to the red-hot Chinese economy; but in the meantime, the bulls are definitely back.

ASIA PACIFIC

Talk of discount rate cut lifts Tokyo stocks

Tokyo

THE Nikkei average closed above the 17,000 level on late investment trust buying after a call by Mr Kiichi Miyazawa, the prime minister, for lower money market rates spurred hopes of a cut in the official discount rate, *writes Emiko Terazono in Tokyo.*

The index advanced 153.86 to close at the day's high of 17,141.52, having fallen to the day's low of 16,839.69 earlier in the afternoon.

Volume fell to 170m shares from 192m as advances led declines by 520 to 342 with 201 issues unchanged. The Topix index of all first section stocks gained 7.46 to 1,298.33 and in London the ISE/Nikkei 50 index eased 1.03 to 1045.94.

Weak money supply figures, which registered a 0.4 per cent decline in September, also added to hopes of lower rates. However, activity concentrated on index-linked buying by investment trusts and overall trading remained dull.

Interest rate-sensitive issues were heavily traded, with Sumitomo Metal Industries, the most active issue of the day, rising Y8 to Y270. Nippon Steel, however, fell Y1 to Y292 on profit taking.

Export-oriented, high-technology stocks were higher as the dollar strengthened against the yen: Hitachi jumped Y14 to Y737 and NEC advanced Y9 to Y695.

Financials were stronger on hopes of better earnings due to lower interest rates. Industrial Bank of Japan rose Y10 to Y2,440 and Mitsubishi Bank gained Y50 to Y2,120.

Inabata, the chemical and pharmaceutical trading company, rose Y50 to Y1,170 on foreign buying. Inabata holds a stake in the unlisted Sumitomo Pharmaceutical, which is a market leader in Interferon.

Clarion, the car audio maker, fell Y44 to Y455 on a downward revision of its earnings estimates. Clarion is now forecasting a Y8.5bn after-tax loss for the current year to next March.

In Osaka, the OSE average gained 65.40 to 18,726.96 in volume of 8.8m shares.

Roundup

TOKYO's recovery helped to lift some of the region's markets yesterday.

SEOUL rose for the fourth consecutive session, helped by lower interest rates, as the composite index ended 19.26 higher at 559.71 in turnover of Won431.9bn after Tuesday's Won245.1bn.

Manufacturing groups were boosted by government plans to provide substantial funds for capital investment. Daewoo Heavy Industries gained Won400 to Won9,510 and Hyundai Motor was up Won800 at Won21,700.

TAIWAN, which fell sharply at the opening on reports of a drop in third quarter GNP, recouped some ground in late trading on bargain-hunting in blue chips.

The weighted index closed 29.79 lower at 3,694.38 in low turnover of T$11.5bn.

MANILA recovered after Tuesday's losses but investor confidence remained weak because of lengthy daily power cuts in the capital. The composite index advanced 9.45 to 1,353.86.

AUSTRALIA continued to improve with the exception of the gold sector, which saw further sharp falls in joint owners of the Porgera gold mine. The All Ordinaries index put on 17 to 1,443.9 in turnover of A$260.52m.

In the mining sector, Placer Pacific lost 12 cents to A$1.74, Highlands Gold slipped 2 cents to 84 cents and Renison fell 4 cents to A$3.46.

Among financials, ANZ put on 8 cents to A$2.62, Westpac added 2 cents to A$2.82, National Australia gained 1 cent to A$7.15 and the Commonwealth Bank gained 4 cents to A$5.96.

NEW ZEALAND was active in second- and third-line stocks as the NZSE-40 index rose 6.48 to 1,373.32 in turnover of $24.5m. Among major issues, Telecom rose 6 cents to NZ$2.30.

KUALA LUMPUR recovered from early losses and the composite index closed up 0.89 at 615.85, having earlier touched a low of 613. Brokers commented that sentiment remained nervous ahead of next week's budget announcement.

BANGKOK saw active trading in the banking sector and the SET index gained 5.25 to 883.93 in turnover of Bt11.26bn. Advances led declines 134 to 87 with 69 shares unchanged. Krung Thai Bank rose Bt12 to Bt228.

BOMBAY's flood of rights issues took 3.8 per cent off the BSE index, which fell 116.24 to 2,934.66 on the penultimate day of trading for the current Hindu year.

Analysts said that companies were raising an estimated Rs85bn through the equity market over the next three months.

KARACHI saw institutional and overseas buying interest, the latter mainly from Pakistanis abroad, as the KSE 100 index gained 11.58 to 1,237.89.

SOUTH AFRICA

DE BEERS, Anglos and Minorco again led the market higher as the overall index rose 35 or 1.1 per cent to 3,034. The gold index rose 20 to 869 while industrials added 20 to 3,986. De Beers gained R2.25 to R50.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 21 1992								TUESDAY OCTOBER 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	121.88	+1.8	111.90	93.78	95.47	112.82	+1.4	4.33	119.67	109.15	92.25	94.54	111.31	153.68	118.97	155.43
Austria (19)	152.09	+2.3	139.66	117.05	119.16	118.80	+1.7	2.37	148.64	135.57	114.58	117.42	116.76	186.70	139.27	163.20
Belgium (42)	139.09	+1.9	127.72	107.04	108.97	106.33	+0.9	5.79	136.71	124.69	105.38	108.00	105.35	152.27	135.87	128.04
Canada (114)	116.75	+0.6	106.30	89.86	91.48	106.69	+0.4	3.41	116.07	105.87	89.46	91.44	105.15	142.12	112.97	139.23
Denmark (33)	195.83	+2.1	179.83	150.71	153.43	154.48	+1.2	1.85	191.86	174.99	147.90	151.57	152.59	273.94	191.86	252.54
Finland (15)	61.93	+3.0	56.87	47.66	48.52	62.06	+3.0	2.27	60.15	54.86	46.97	47.52	60.28	89.80	52.84	84.69
France (101)	148.49	+0.4	136.33	114.25	116.31	119.12	-0.4	3.79	147.83	134.83	113.95	116.77	119.54	168.75	144.54	137.94
Germany (64)	109.68	+0.6	100.72	84.42	85.93	85.93	-0.3	2.68	109.06	99.48	84.08	86.16	86.16	129.69	106.62	108.21
Hong Kong (53)	256.11	+1.9	235.18	197.10	200.67	254.22	+1.9	3.50	251.35	229.25	193.76	198.57	249.46	259.55	176.35	165.41
Ireland (16)	134.70	+1.9	123.69	103.66	105.53	108.49	+1.8	5.00	132.17	120.55	101.89	104.41	106.54	173.71	130.67	157.25
Italy (77)	54.38	-1.2	49.94	41.85	42.61	53.84	-2.0	3.86	55.06	50.22	42.44	43.49	54.93	80.96	47.47	68.68
Japan (472)	106.45	+0.8	97.75	81.92	83.42	81.93	+0.3	1.04	105.59	96.31	81.40	83.43	81.40	140.66	87.27	140.89
Malaysia (69)	255.46	+0.4	234.59	196.60	200.15	248.61	+0.3	2.66	254.55	232.17	196.22	201.09	245.97	255.46	212.49	199.69
Mexico (18)	1426.89	+3.1	1310.11	1097.97	1117.78	4867.02	+3.1	1.23	1383.45	1261.82	1066.45	1092.90	4740.46	1799.77	1165.64	1315.04
Netherland (25)	158.47	+0.5	145.52	121.96	124.16	122.63	-0.4	4.82	157.70	143.83	121.58	124.58	123.11	169.70	147.88	140.05
New Zealand (14)	39.00	+0.5	35.82	30.02	30.56	38.36	+0.4	5.90	38.79	35.38	29.91	30.65	38.22	48.52	36.79	46.82
Norway (22)	141.02	+0.8	129.50	108.53	110.49	117.86	-0.1	2.06	140.19	127.87	108.07	110.75	117.93	192.65	136.04	190.65
Singapore (38)	179.72	-0.5	165.03	138.31	140.80	133.75	-0.4	2.46	180.66	164.78	139.27	142.72	134.29	223.63	179.72	200.61
South Africa (60)	154.54	+1.5	141.91	118.93	121.08	147.02	+1.5	3.47	152.25	138.86	117.36	120.27	144.84	263.60	144.29	226.02
Spain (48)	114.02	+0.6	104.71	87.75	89.34	92.26	-0.6	6.48	113.31	103.35	87.35	89.52	92.80	161.72	110.05	152.90
Sweden (31)	154.94	+1.7	142.28	119.24	121.40	130.57	+1.0	3.00	152.47	139.08	117.53	120.45	129.22	200.28	149.69	180.57
Switzerland (60)	113.02	+0.5	103.78	86.98	88.55	84.42	-0.5	2.27	112.50	102.61	86.73	88.88	84.88	122.57	93.93	94.49
United Kingdom (228)	169.12	+0.7	155.30	130.14	132.49	155.30	+1.4	4.72	167.87	153.11	129.39	132.60	153.11	200.07	164.86	175.06
USA (522)	169.69	+0.1	155.83	130.60	132.96	169.69	+0.1	3.00	169.59	154.68	130.74	133.98	169.59	173.39	160.92	157.57
Europe (781)	136.37	+0.6	125.23	104.95	106.85	116.04	+0.4	4.05	135.51	123.60	104.46	107.05	115.54	158.88	135.02	137.74
Nordic (101)	144.57	+1.7	132.76	111.26	113.27	114.90	+1.0	2.56	142.16	129.66	109.59	112.31	113.71	188.52	141.24	180.59
Pacific Basin (714)	111.43	+0.9	102.32	85.76	87.30	87.55	+0.7	1.39	110.43	100.72	85.13	87.24	86.91	141.97	93.70	141.41
Euro - Pacific (1495)	121.52	+0.8	111.59	93.51	95.20	99.09	+0.6	2.50	120.58	109.98	92.94	95.25	98.50	145.21	113.80	140.29
North America (636)	168.34	+0.1	154.58	129.55	131.88	168.21	+0.1	3.01	168.20	153.41	129.66	132.87	168.04	170.49	158.70	155.38
Europe Ex. UK (553)	116.51	+0.5	106.99	89.66	91.30	94.55	-0.3	3.57	115.87	105.69	89.34	91.56	94.82	132.98	115.41	115.60
Pacific Ex. Japan (242)	160.18	+1.4	147.09	123.29	125.51	144.90	+1.3	3.66	157.92	144.04	121.75	124.77	143.08	173.31	149.00	148.36
World Ex. US (1687)	122.46	+0.8	112.45	94.25	95.95	100.95	+0.6	2.62	121.46	110.80	93.65	95.97	100.32	146.91	116.18	142.21
World Ex. UK (1981)	134.44	+0.5	123.45	103.47	105.34	118.77	+0.3	2.55	133.81	122.05	103.16	105.72	118.45	150.58	127.21	143.58
World Ex. So. Af. (2149)	137.44	+0.5	126.21	105.78	107.69	121.76	+0.4	2.77	136.77	124.74	105.44	108.05	121.29	153.05	130.04	145.60
World Ex. Japan (1737)	155.12	+0.4	142.45	119.40	121.56	145.29	+0.3	3.39	154.64	140.95	119.14	122.10	144.85	165.40	151.93	150.62
The World Index (2209)	137.45	+0.6	126.22	105.78	107.70	122.03	+0.4	2.78	136.77	124.75	105.44	108.05	121.56	153.70	130.88	146.33